

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
DECEMBER 18, 2013  
APPLICATION SUMMARY**

**NAME OF PROJECT:** Pioneer Community Hospital of Scott

**PROJECT NUMBER:** CN1308-030

**ADDRESS:** 18797 Alberta Street  
Oneida (Scott County), Tennessee 37841

**LEGAL OWNER:** Pioneer Health Services, Inc.  
P.O. Box 1100  
Magee, MS 39111

**OPERATING ENTITY:** Not Applicable

**CONTACT PERSON:** Jerry Howell  
(601) 849-6440

**DATE FILED:** August 12, 2013

**PROJECT COST:** \$5,000

**FINANCING:** Cash Reserves

**PURPOSE OF REVIEW:** Discontinuance of obstetric services

**DESCRIPTION:**

Pioneer Community Hospital of Scott is seeking approval for the discontinuation of obstetric services. Five (5) obstetric beds will be converted to five (5) medical surgical beds. The hospital's total licensed bed complement will remain at twenty-five (25) beds.

## SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

### Discontinuance of Obstetrical Services

#### A. Need

1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.

*The applicant has identified Scott County as its primary service area where 75% of all patients reside. The applicant identifies McCreary County, KY as a secondary service area accounting for 20% of patients. There are currently no providers of obstetrics services in these two counties. The applicant identifies alternate providers of obstetric services as Jellico Community Hospital in Jellico (Campbell County), 43 miles away, and Methodist Medical Center in Oak Ridge (Anderson County), 56 miles away.*

*It appears the application meets this criterion.*

2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

*According to the Department of Health (DOH) report, the female population aged 15-44 in the Scott County is estimated as 4,126 in 2013, declining 1.3% to 4,073 in 2017.*

*It appears the application meets this criterion.*

3. The number of obstetrical patients served by the facility over the past three years should be listed.

*According to the DOH report, Scott County Hospital performed 155 deliveries in 2009, 138 deliveries in 2010, and 133 deliveries in 2011.*

*Note to Agency members: Hospital ceased providing services in May 2012 and its license was placed in inactive status in September 2012 by the Department of Health's Board for Licensing Health Care Facilities*

*It appears the application meets this criterion.*

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4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.

Based on a 3-Year average birth rate the applicant estimates 288 patients will be affected by the proposal to discontinue OB services.

*Note to Agency members: According to the Department of Health Report there were 275 births from Scott County residents in 2012.*

The applicant reports that 29% of women residing in Scott County live below the poverty level and 66.7% of delivering mothers has TennCare as their primary payor.

*It appears the application meets this criterion.*

#### B. Accessibility

1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.

*There are two hospitals that provide OB services that the applicant identifies. Jellico Community Hospital in Jellico (Campbell County), 43 miles away and Methodist Medical Center in Oak Ridge (Anderson County), 56 miles away.*

*Note to Agency members: There are also multiple hospitals in Knoxville (Knox County) that offer obstetric services. The approximate distance from Oneida to downtown Knoxville is 65 miles.*

*It appears the application meets this criterion.*

2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.

*The primary mode of transportation of the patients diverted by this proposal is personal private vehicle. County-owned transportation may also be used with prior arrangement as well as East Tennessee Human Resource Agency Public Transit (ETHRA) for a nominal fee.*

*It appears the application meets this criterion.*

3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.

*There are two hospitals that provide OB services that the applicant identifies. Jellico Community Hospital in Jellico (Campbell County), 43 miles away and Methodist Medical Center in Oak Ridge (Anderson County), 56 miles away. The applicant submitted letters from both hospitals indicating that there was capacity to absorb the patients*

*Note to Agency members: There are also multiple hospitals in Knoxville (Knox County) that offer obstetric services. The approximate distance from Oneida to downtown Knoxville is 65 miles.*

*It appears the application meets this criterion.*

4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.

*For vaginal delivery the applicant's median charge was between the median charges of Methodist Medical Center and Jellico Community Hospital. For caesarian delivery the applicant's median charge was higher than both Jellico and Methodist.*

*It appears the application meets this criterion.*

5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.

*The applicant has provided letters from the Chief Executive Officers of both Jellico Community Hospital and Methodist Medical Center of Oak Ridge documenting their interest and available capacity to absorb the additional volume created by Pioneer of Scott County's discontinuance of obstetrics.*

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*It appears the application meets this criterion.*

## **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

### **History**

- Scott County Hospital was operated by St. Mary's Health System-Knoxville until St. Mary's was acquired by HMA/Tennova.
- HMA/Tennova was not able to come to terms with the Scott County on a new contract. Without a management contract the hospital temporarily closed in May 2012
- In September 2012 the Department of Health's Board for Licensing Health Care Facilities placed the license in inactive status for one year. The inactive status was extended again in September 2013.
- Pioneer Health Services took control of the facility in July 2013.
- Pioneer Community Hospital of Scott (PHS-C) filed a Certificate of Need application for discontinuance of obstetric (OB) services. The application was deemed complete in September 2013 and is scheduled to be heard at the December 2013 Agency meeting.
- In September 2013 PHS-C requested waivers from the TDH Board for Licensing Health Care Facilities for OB and emergency room so that the hospital could open in phases. The request was denied.
- PHS-C requested an emergency CON to discontinue OB services so that the hospital could open in early December and begin providing emergency and other basic hospital services, which Scott County has been without since May 2012.
- The emergency CON request was heard on November 12, 2013 by Chairman Johnson, Vice-Chair Wright, and Executive Director Hill. The CON was granted and is valid for 120 days.

An email from Executive Director Hill is at the end of this summary which provides more details on the emergency CON hearing.

### **Need**

- Discontinuing obstetric services was considered due to liability and cost to provide the service in a currently financially unstable hospital.
- PCH-S first wants to focus on providing basic acute and emergency services. Obstetric services require intensive resources not currently feasible to expend until overall facility volumes and utilization make cost-spreading possible.

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- Much consideration was paid to the provision of obstetric services within the area by other providers to ensure that the population would be served.

In addition to notifying other service area hospitals of PCH-S's intent to discontinue obstetric services, PCH-S has notified the general public through legal notices in local print media and public meetings between the applicant and Scott County leadership. Dr. John Martin and Dr. Catherine Martin, who provided OB services at Scott County Hospital, have been informed of the intent to discontinue OB services. Dr. Catherine Martin has agreed to serve as Chief of Staff (in a non-obstetric capacity) upon the re-opening of the hospital. Emergency conveyance services have been notified as well.

### **Profile**

Pioneer Community Hospital of Scott (PCH-S) is a twenty-five (25) bed hospital, which will be seeking accreditation as a critical access hospital.

*Note to Agency Members: A Critical Access Hospital (CAH) is a hospital certified to receive cost-based reimbursement from Medicare. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures.*

*Source: US Health and Human Services, Rural Assistance Center.*

*The criteria to be designated as a CAH by the Center for Medicare and Medicaid Services (CMS) include:*

- *Be located in a State that has established a State Medicare Rural Hospital Flexibility Program;*
- *Be designated by the State as a CAH;*
- *Be located in a rural area or an area that is treated as rural;*
- *Be located either more than 35-miles from the nearest hospital or CAH or more than 15 miles in areas with mountainous terrain or only secondary roads; OR prior to January 1, 2006, were certified as a CAH based on State designation as a "necessary provider" of health care services to residents in the area.*
- *Maintain no more than 25 inpatient beds that can be used for either inpatient or swing-bed services;*
- *Maintain an annual average length of stay of 96 hours or less per patient for acute inpatient care (excluding swing-bed services and beds that are within distinct part units);*
- *Demonstrate compliance with the CAH Conditions of Participation found at 42 CFR Part 485 subpart F; and*
- *Furnish 24-hour emergency care services 7 days a week;*

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*A CAH may also be granted "swing-bed" approval to provide post-hospital Skilled Nursing Facility-level care in its inpatient beds.*

*In the case of hospice care, a hospice may contract with a CAH to provide the Medicare hospice hospital benefit. Reimbursement from Medicare is made to the hospice. The CAH may dedicate beds to the hospice, but the beds must be counted toward the 25-bed maximum. However, the hospice patient is not included in the calculation of the 96-hour annual average length of stay. The hospice patient can be admitted to the CAH for any care involved in their treatment plan or for respite care. The CAH negotiates reimbursement through an agreement with the hospice.*

*In addition to the 25 inpatient CAH beds, a CAH may also operate a psychiatric and/or a rehabilitation distinct part unit of up to 10 beds each. These units must comply with the Hospital Conditions of Participation.*

*Source: CMS Website*

PCH-S is owned by Pioneer Health Services, Inc. (PHS). Pioneer owns 6 other critical access hospitals: one in North Carolina, one in Virginia, one in Georgia, and 3 in Mississippi.

As noted earlier PCH-S f/k/a Scott County Hospital temporarily closed in May 2012. During the last full year of operation (2011), the 25 bed CAH reported licensed and staffed bed occupancy of 57.3% and OB occupancy of 24.9%

According to the Department of Health's Joint Annual Report the two bed categories are defined as follows:

*Licensed Beds- The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

*Staffed Beds-The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

#### **Service Area Demographics**

PCH-S primary service area is Scott County where historically over 75% of its patients reside. Another 2% of patients reside in secondary service area counties Anderson, Blount, Campbell, Fentress, and Morgan. Another 20% reside in McCreary County in Kentucky.

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- According to the Department of Health report the Age 15-44 female population in the Tennessee portion of the service area is estimated at 54,648 residents in calendar year (CY) 2013 increasing by approximately 2.8% to 56,166 residents in CY 2017. The female Age 15-44 population for Scott County is projected to decline by 1.3% during the same time period. McCreary County, KY female population Age 15-44 is projected to decline by 5.4% between 2010 and 2015 from 3,346 to 3,071.
- The overall statewide Age 15-44 female population is projected to grow by 1.9% from 2013 to 2017.
- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 26.9%. In Scott County the percentage is 32.1%. The statewide enrollment proportion is 18.3%.

*Sources: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics; Kentucky State Data Center.*

#### **Service Area Historical Utilization**

Hospital Birth trends in the service area hospitals between 2009 and 2012 are displayed in the table below:

<b>Hospital</b>	<b>2009 Births</b>	<b>2010 Births</b>	<b>2011 Births</b>	<b>2012 Births</b>	<b>'09-'12 % Change</b>
Jellico Community	190	168	164	149	-21.6%
Methodist Med. Center	660	664	625	673	+2.0%
Scott County	155	138	133	*60	-61.3%

*\*Hospital temporarily closed in May 2012*

*Source: JAR and DOH Report*

- The above chart indicates that two of the three service area hospitals show a decline in hospital births. The one facility that reported an increase was Methodist Medical Center in Oak Ridge at 2% from 2009 to 2012.
- The DOH Reports includes a table indicating that there were 275 hospital births for Scott County residents in 2012. Scott County Hospital reported 59 births from Scott County residents or 21.5% of the total. Knox County hospitals reported 141 or 51.3% of the Scott County births. Methodist Medical Center reported 64 or 23.3% of the births. Jellico Community reported 5 or 1.8% of the births.

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*Note to Agency members: The American College of Obstetricians and Gynecologists (ACOG) and the American Society of Anesthesiologists (ASA) in their joint publication "Optimal Care for Anesthesia Care in Obstetrics", published in May 2009 established a threshold of 500 deliveries. The ACOG Committee Opinion in its entire context mentions: "good obstetrical care requires the availability of qualified personnel and equipment to administer general or regional anesthesia both effectively and emergently. The extent to which anesthesia services are available varies widely among hospitals. However, for hospitals providing obstetrical care, certain optimal anesthesia goals should be sought.... A survey jointly sponsored by the American Society of Anesthesiologists and The American College of Obstetricians and Gynecologists found that many hospitals in the United States have not yet achieved the goals mentioned previously. Deficiencies were most evident in smaller delivery units. Some smaller units are necessary because of geographical considerations. Currently, approximately 34% of hospitals providing obstetrical care have fewer than 500 deliveries per year. Providing comprehensive care for obstetric patients in these small units is extremely inefficient, not cost effective, and frequently impossible. Thus, the following recommendations are made:*

- 1. Whenever possible, small units should consolidate.*
- 2. When geographic factors require the existence of smaller units, these units should be part of a well-established regional perinatal system.*

*A copy of ACOG Committee Opinion No. 433 is attached to the end of this Summary.*

#### **Projected Utilization**

- If the proposed project is approved, there will be no obstetric utilization after the hospital begins operation.
- For the hospital overall the applicant projects utilization of 1,663 patient days or 18.2% occupancy in 2014 and 3,528 patient days or 38.7% occupancy in 2015.

#### **Project Cost**

- Total project cost is \$5,000. The costs are legal/administrative/consultant fees of \$2,000 and a \$3,000 filing fee.

#### **Historical Data Chart**

- According to the Historical Data Chart Scott County Hospital reported net losses of \$8,562,600 in 2009, \$3,911,898 in 2010, and \$4,843,592 in 2011.

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### **Projected Data Chart**

The applicant provides two Projected Data Charts. The first chart assumes the discontinuance of OB services. The second assumes the continuation of OB services.

- Without OB services the applicant projects net income of \$272,291 in 2014 and \$101,545 in 2015.
- With OB services the applicant projects net losses of \$735,594 in 2014 and \$864,931 in 2015.

### **Charges**

If the proposed project is approved there will be no charges associated with obstetric services. The applicant projects overall for the hospital in 2015 a gross charge per patient day of \$4,534 and a net charge per patient day of \$2,203.

### **Medicare/TennCare Payor Mix**

If the proposed project is approved there will be no TennCare charges associated with obstetric services. The applicant points out that historically Scott County Hospital had a payor mix that was 67% Medicare and 17% TennCare/Medicaid. The applicant also states a commitment of charity care at 2% of revenue.

### **Financing**

An August 26, 2013 letter from Julie Gieger, Chief Financial Officer of Pioneer Health Services, Inc., confirms that Pioneer Health Services has sufficient cash reserves to finance the proposed project.

Pioneer Health Services, Inc. audited financial statements for the period ending December 31, 2012 indicates \$113,972 in cash and cash equivalents, total current assets of \$6,994,685, total current liabilities of \$4,228,964 and a current ratio of 1.65:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

### **Staffing**

If the proposed project is approved there will be no staffing associated with obstetric services.

### **Licensure/Accreditation**

PCH-S was expected to be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities and be open for business on December 2, 2013.

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The applicant is committed to obtaining critical access hospital accreditation from Det Norske Veritas (DNV) Healthcare. DNV Healthcare has deeming authority granted by CMS to accredit critical access hospitals.

*Corporate documentation and asset purchase agreement are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **three** years.

#### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied applications, or pending applications for this applicant.

#### **Outstanding Certificates of Need**

**Pioneer Community Hospital of Scott, CN1311-041AY**, obtained an emergency certificate of need on November 12, 2013 to temporarily discontinue obstetric services so that the hospital could open December 2, 2013. The CON is valid for 120 days. CN1308-030, a CON application filed by the applicant to permanently discontinue OB services, will be heard by the full board at the Agency's regular December 2013 meeting.

#### **CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

MAF  
12/03/2013

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**Pioneer Community Hospital of Scott-Emergency CON Hearing**

Melanie Hill

Sent: Wednesday, November 13, 2013 3:55 PM

To: AF07; Burns, Charlotte [Charlotte.Burns@hcahealthcare.com]; Byrd, Claudia [claudia@BristolMotorSpeedway.com]; Denise Lewis; Doolittle, Bob [rsdoolittle65@gmail.com]; Flora, Mark [mdflora@ua-pc.com]; Keith Gaither; Darin J. Gordon; Haik, Barrett [bhaik@uthsc.edu]; Elisha Hodge; Johnson, Lynn [lynnjohnson@chartertn.net]; Lisa Jordan; Cris McCoy; Mills, Thom [tmills@anesis.com]; Phillips, Blanca X [bphilli7@uthsc.edu]; Wright, James [jwright@westmeadeplace.com]

Agency members,

I apologize for not following up with you yesterday afternoon.

The emergency CON was granted.

We did record the meeting and will have it transcribed but I am concerned that the quality of the recording may not be that great.

Chairman Johnson and Vice-Chairman Wright were present. Ms. Hodge and Mr. Mills participated via telephone. Also present were Scott County Mayor Jeff Tibbals, Rep. Kerry Keisling, Scott County EMS Director Jim Reed, Pioneer Scott CEO Tony Taylor, Pioneer Scott Director of Nursing Services Amanda Rector, Tennessee Hospital Association Vice-President Bill Jolley, TDH Staff (Jeff Ockerman, Trent Sansing, and Steve Taylor), and Agency Staff (Mark Farber, Jim Christoffersen, Melissa Bobbitt, and myself). Also participating by telephone were Pioneer Corporate Vice-President Morgan Dunn and TDH HCF Licensure Director Ann Reed.

I will briefly describe the testimony we heard. Once the meeting was called to order, I read the project description and the following information into the record:

**EMERGENCY CERTIFICATE OF NEED REQUEST**

A. Pioneer Community Hospital of Scott, Oneida (Scott County), TN – CN1311-041

Emergency CON is requested for the discontinuance of Obstetrics Services at Pioneer Community Hospital of Scott. If approved, the five (5) obstetrical beds will be converted to medical/surgical beds and the licensed acute care bed complement at the hospital will remain at twenty-five (25). The estimated project cost is \$5,000.00.

*We are here today to consider Pioneer Community Hospital of Scott's request for an emergency certificate of need to discontinue OB services. This request was initiated first by Scott County Mayor Jeff Tibbals who was concerned about Scott County's ongoing lack of access to emergency care. He was especially concerned that the hospital was ready to open and start providing services but could not do so because the Department of Health would not reactivate the hospital's license unless the hospital either provided obstetrical services or produced a certificate of need to discontinue the service. This is because the hospital will be licensed as a general hospital and certain services such as OB, surgical and emergency services must be provided in a general hospital. Of those required services, only the discontinuance of OB service triggers a CON requirement. Of course, the discontinuance of any OB service deserves a very thorough review by Agency members because adequate prenatal care is of utmost importance. Low-birth weight infants oftentimes do not have good outcomes and there are significant costs to the healthcare system to care for those children.*

*First, I will provide a brief history of this situation.*

*Scott County Hospital was operated by Saint Mary's Hospital of Knoxville until Saint Mary's was acquired by HMA/Tennova. HMA/Tennova assumed the management of the hospital but could not come to terms with the County Commission on a new contract so the contract expired and the County did not have a new management entity in place. Without a manager in place, the hospital had to temporarily close. At the time of the temporary closure, county officials hoped that this would be a very short-term situation and that they would have a new*

operator in place within just a few months. In September of 2012, the Department of Health's Board for Licensing Health Care Facilities placed the license in an inactive status for one year, which was extended again this September. It was extended again because Pioneer had just assumed ownership of the hospital in August so it was not quite ready to re-open the hospital at that time. Upon assuming ownership of the facility, Pioneer did file a CON application to d/c OB services, which was deemed complete in September. The Department of Health started its 60-day review in September and that application is scheduled to be heard by the Agency at the December 18 Agency meeting.

I want to be clear that while the issue under emergency consideration is the discontinuance of OB services, we all understand that no OB services have been provided in Scott County for the past 18 months because no hospital services have been provided, period. No hospital services can be provided in Scott County until the OB issue is resolved. The consideration of whether to discontinue OB services deserves full consideration by all of the members of the HSDA but this could further delay the opening of the hospital because that hearing will not take place until December 18. The "emergency" situation here is that the hospital is under new ownership and ready to open but cannot because the Department of Health will not re-activate the general hospital license unless Pioneer Scott provides obstetrical services or produces a CON that allows the hospital to discontinue the service. The issue then becomes whether to consider a temporary short-term approval to discontinue OB services, which would allow the Department of Health to reactivate the license, of course, given that the hospital meets all other licensure standards.

Director Jim Reed's letter said that during the past 18 months while the hospital has been temporarily closed, Scott County Emergency Medical Services has transported at least one patient needing advanced life support every day. The transport time to the hospital used to be approximately 12 minutes. The average transport time is now approximately 55 minutes. Before the temporary closure of the hospital, the "turn around" time (from the time the call was received until the time the unit was back in service) for an ambulance was about 30 minutes. Now it is approximately 2 hours. EMS Director Jim Reed indicated there have been several times when the county was in a "status zero" period, which means there were no available ambulance units in the county. In these instances, crews had to be called in from home, which increased the emergency response time, by about 30 minutes. The ambulance service has handled over 8,401 calls since the hospital closed, with over 5,276 being for advanced life support. Director Reed went on to say that while Scott County Paramedics were highly trained, they could only provide care within the scope of their practice, and that the closure of the hospital has delayed immediate advanced care by about 30 to 40 minutes for medical events such as cardiac arrest, myocardial infarction, stroke, respiratory distress, and respiratory failure.

We then heard the following testimony:

Pioneer Scott CEO Tony Taylor said Pioneer requested waivers for OB and an emergency room in September from the TDH Board for Licensing Health Care Facilities but was denied. The request had been so the hospital could open in phases.

Scott Mayor Jeff Tibbals indicated he was elected in August 2010 and that the hospital had been an issue since "day one." County officials had discussions with Pioneer early on about assuming control of the hospital when the contract ended with St. Mary's but then learned that the hospital was part of the "package deal" with HMA acquiring the Saint Mary owned and operated facilities in East TN. County officials looked into Pioneer assuming control with the critical access hospital provider number being transferred to Pioneer but HMA said no unless Pioneer assumed all liabilities which it was not willing to do and the county also could not accept liability. By spring 2012, the contract was ending and HMA asked for an additional 1.7 million that the county didn't have so the hospital closed that May. The Mayor described the devastating impact the closure had on the community with 210 employees losing their jobs (16.2% unemployment rate). He then discussed how the hospital closure was "running the wheels off the ambulances" and that the shortest distance an ambulance now had to travel was 40 miles. He indicated the closure had affected response time and was a major risk to citizens of Scott County.

Rep. Kerry Keisling stated that Sen. Ken Yager had wanted to attend but could not. He said that both of them were in full support of getting the hospital open. He described how remarkably the ambulance service had performed (describing it as having a "tough row to hoe") and relief that no one had died en route to another hospital.

EMS Director Jim Reed indicated that the county operated seven ambulances during the day and two at night. At times, he has had to call in three additional ambulance crews at night when the on duty crews were out of the county. He indicated that during the past 17 months (May 2012-October 2013), EMS had transported only 17 OB patients and had delivered two babies and then he said, "We need an ER more than OB."

During the question and answer period, we learned that the EMS service was in the status zero period at least 1 to 2 times daily, that no modifications would be needed to convert the OB beds to med-surg beds, and that Pioneer had contracted with ERx which is an Emergency Medical Hospitalist Group that provides a "dual" model where the ER physician also covers hospitalist duties in small hospitals. CEO Taylor indicated that the hospital could open by December 2 if the TDH could perform both the hospital licensure and lab licensure surveys. The surveys cannot be performed simultaneously.

During the discussion period, the Chair, Vice-Chair and I all voiced support for the project due to the need for emergency services. Mr. Mills noted that since he has a home care and hospice business in the area that he was aware of the great need for the hospital to be open.

Mr. Wright moved to approve the CON for 120 days. This motion may not be exactly verbatim but it is close.

Need: There have been no hospital services provided in Scott County and none can be provided until the OB issue has been resolved at the December meeting. The temporary cessation of OB services will permit the hospital to be licensed by the Department of Health so it can start providing emergency services to the citizens of Scott County.

Economic Feasibility: There are no additional costs involved with this emergency approval. The hospital will be able to open and start generating income as soon as it is licensed by the Department of Health.

Contribution to the Orderly Development of HealthCare- Mr. Wright noted this criterion was the most important to him because by approving this temporary cessation of OB services, the hospital would be permitted to open and provide much needed emergency services and other acute services that have long been absent for the citizens of Scott County which would contribute to the orderly development of health care.

I provided the second and Mr. Wright, Chairman Johnson, and I all voted aye.

Immediately after the conclusion of the meeting, I sent Ann Reed written confirmation that the CON had been approved so she could notify the TDH Health Care Facilities East Tennessee Regional Office because they will perform the inspection.

Please let me know if you have questions.

*Melanie*

Melanie M. Hill, Executive Director  
Tennessee Health Services and Development Agency

# ACOG COMMITTEE OPINION

Number 433 • May 2009

(Replaces No. 256, May 2001)

## Optimal Goals for Anesthesia Care in Obstetrics

### Committee on Obstetric Practice

This document reflects emerging clinical and scientific advances as of the date issued and is subject to change. The information should not be construed as dictating an exclusive course of treatment or procedure to be followed.

**ABSTRACT:** A joint statement from the American Society of Anesthesiologists and the American College of Obstetricians and Gynecologists was developed to address issues of concern to both specialties. Good obstetric care requires the availability of qualified personnel and equipment to administer general or regional anesthesia both electively and emergently. The extent and degree to which anesthesia services are available varies widely among hospitals. However, for hospitals providing obstetric care, certain optimal anesthesia goals should be sought.

This joint statement from the American Society of Anesthesiologists and the American College of Obstetricians and Gynecologists has been designed to address issues of concern to both specialties. Good obstetric care requires the availability of qualified personnel and equipment to administer general or regional anesthesia both electively and emergently. The extent and degree to which anesthesia services are available varies widely among hospitals. However, for any hospital providing obstetric care, certain optimal anesthesia goals should be sought as follows:

- I. Availability of a licensed practitioner who is credentialed to administer an appropriate anesthetic whenever necessary. For many women, regional anesthesia (epidural, spinal, or combined spinal epidural) will be the most appropriate anesthetic.
- II. Availability of a licensed practitioner who is credentialed to maintain support of vital functions in any obstetric emergency.
- III. Availability of anesthesia and surgical personnel to permit the start of a cesarean delivery within 30 minutes of the decision to perform the procedure.
- IV. Immediate availability of appropriate facilities and personnel, including obstetric anesthesia, nursing personnel, and a physician capable of monitoring labor and performing cesarean delivery, in-

cluding an emergency cesarean delivery in cases of vaginal birth after cesarean delivery (1). The definition of immediately available personnel and facilities remains a local decision based on each institution's available resources and geographic location.

- V. Appointment of a qualified anesthesiologist to be responsible for all anesthetics administered. There are many obstetric units where obstetricians or obstetrician-supervised nurse anesthetists administer labor anesthetics. The administration of general or regional anesthesia requires both medical judgment and technical skills. Thus, a physician with privileges in anesthesiology should be readily available.

Persons administering or supervising obstetric anesthesia should be qualified to manage the infrequent but occasional life-threatening complications of major regional anesthesia such as respiratory and cardiovascular failure, toxic local anesthetic convulsions, or vomiting and aspiration. Mastering and retaining the skills and knowledge necessary to manage these complications require adequate training and frequent application.

To ensure the safest and most effective anesthesia for obstetric patients, the director of anesthesia services, with the approval of the medical staff, should develop and enforce

American Society of  
Anesthesiologists   
Physicians providing the lifeline of modern medicine



The American College  
of Obstetricians  
and Gynecologists

Women's Health Care  
Physicians

409 12th Street, SW  
PO Box 96920  
Washington, DC 20090-6920

written policies regarding provision of obstetric anesthesia as follows:

- I. A qualified physician with obstetric privileges to perform operative vaginal or cesarean delivery should be readily available during administration of anesthesia. Readily available should be defined by each institution within the context of its resources and geographic location. Regional or general anesthesia or both should not be administered until the patient has been examined and the fetal status and progress of labor evaluated by a qualified individual. A physician with obstetric privileges who concurs with the patient's management and has knowledge of the maternal and fetal status and the progress of labor should be readily available to handle any obstetric complications that may arise. A physician with obstetric privileges should be responsible for midwifery back up in hospital settings that utilize certified nurse-midwives and certified midwives as obstetric providers.
- II. Availability of equipment, facilities, and support personnel equal to that provided in the surgical suite. This should include the availability of a properly equipped and staffed recovery room capable of receiving and caring for all patients recovering from major regional or general anesthesia. Birthing facilities, when used for analgesia or anesthesia, must be appropriately equipped to provide safe anesthetic care during labor and delivery or postanesthesia recovery care.
- III. Personnel other than the surgical team should be immediately available to assume responsibility for resuscitation of the depressed newborn. The surgeon and anesthesiologist are responsible for the mother and may not be able to leave her to care for the newborn even when a regional anesthetic is functioning adequately. Individuals qualified to perform neonatal resuscitation should demonstrate:
  - A. Proficiency in rapid and accurate evaluation of the newborn condition, including Apgar scoring
  - B. Knowledge of the pathogenesis of a depressed newborn (acidosis, drugs, hypovolemia, trauma, anomalies, and infection), as well as specific indications for resuscitation
  - C. Proficiency in newborn airway management, laryngoscopy, endotracheal intubations, suctioning of airways, artificial ventilation, cardiac massage, and maintenance of thermal stability

In larger maternity units and those functioning as high-risk centers, 24-hour in-house anesthesia, obstetric, and neonatal specialists usually are necessary. Preferably, the obstetric anesthesia services should be directed by an anesthesiologist with special training or experience in obstetric anesthesia. These units also will frequently

require the availability of more sophisticated monitoring equipment and specially trained nursing personnel.

A survey jointly sponsored by the American Society of Anesthesiologists and The American College of Obstetricians and Gynecologists found that many hospitals in the United States have not yet achieved the goals mentioned previously. Deficiencies were most evident in smaller delivery units. Some small delivery units are necessary because of geographic considerations. Currently, approximately 34% of hospitals providing obstetric care have fewer than 500 deliveries per year (2). Providing comprehensive care for obstetric patients in these small units is extremely inefficient, not cost-effective, and frequently impossible. Thus, the following recommendations are made:

1. Whenever possible, small units should consolidate.
2. When geographic factors require the existence of smaller units, these units should be part of a well-established regional perinatal system.

The availability of the appropriate personnel to assist in the management of a variety of obstetric problems is a necessary feature of good obstetric care. The presence of a pediatrician or other trained physician at a high-risk cesarean delivery to care for the newborn, or the availability of an anesthesiologist during active labor and delivery when vaginal birth after cesarean delivery is attempted and at a breech or multifetal delivery are examples. Frequently, these physicians spend a considerable amount of time standing by for the possibility that their services may be needed emergently but may ultimately not be required to perform the tasks for which they are present. Reasonable compensation for these standby services is justifiable and necessary.

A variety of other mechanisms have been suggested to increase the availability and quality of anesthesia services in obstetrics. Improved hospital design, which places labor and delivery suites closer to the operating rooms, would allow for more efficient supervision of nurse-anesthetists. Anesthesia equipment in the labor and delivery area must be comparable to that in the operating room.

Finally, good interpersonal relations between obstetricians and anesthesiologists are important. Joint meetings between the two departments should be encouraged. Anesthesiologists should recognize the special needs and concerns of obstetricians and obstetricians should recognize anesthesiologists as consultants in the management of pain and life-support measures. Both should recognize the need to provide high-quality care for all patients.

## References

1. Vaginal birth after previous cesarean delivery. ACOG Practice Bulletin No. 54. American College of Obstetricians and Gynecologists. *Obstet Gynecol* 2004;104:203-12.
2. Bucklin BA, Hawkins JL, Anderson JR, Ullrich FA. Obstetric anesthesia workforce survey: twenty-year update. *Anesthesiology* 2005;103:645-53.



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ISSN 1074-861X

Optimal goals for anesthesia care in obstetrics, ACOG Committee Opinion No. 433. American College of Obstetricians and Gynecologists and American Society of Anesthesiologists. *Obstet Gynecol* 2009;113:1197-9.

## LETTER OF INTENT



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2013 AUG 9 AM 8 43

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Scott County News which is a newspaper of general circulation in Scott County, Tennessee, on or before August 7, 2013 for one day.

(Name of Newspaper)  
(County) (Month / day) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Pioneer Community Hospital of Scott hospital  
(Name of Applicant) (Facility Type-Existing)  
owned by: Pioneer Health Services, Inc. with an ownership type of Sole-Proprietorship  
and to be managed by: Pioneer Health Services, Inc. intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

discontinuation of obstetric services affecting 5 beds. The project is estimated to cost \$5000. Pioneer Community Hospital of Scott is located at 18797 Alberta St. Oneida, TN 37841.

The anticipated date of filing the application is: August 12, 2013  
The contact person for this project is Jerry Howell Regional Hospital Operations  
(Contact Name) (Title)  
who may be reached at: Pioneer Health Services PO Box 1100  
(Company Name) (Address)

Magee MS 39111 601/849-6440  
(City) (State) (Zip Code) (Area Code / Phone Number)  
Jerry Howell 8/5/2013 jerryhowell@phscorporate.com  
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# **ORIGINAL APPLICATION**

# Pioneer Community Hospital of Scott

Certificate of Need Application: Discontinuation of Obstetrical Services

Submitted: August 12, 2013

1. Name of Facility, Agency, or Institution

Pioneer Community Hospital of Scott

Name

18797 Alberta St

Street or Route

Oneida

City

TN

State

Scott

County

37841

Zip Code

2. Contact Person Available for Responses to Questions

Eden Blackwell

Name

Director of Corp Compliance

Title

Pioneer Health Services, Inc.

Company Name

edenblackwell@phsincorporate.com

Email address

1110 Pioneer Way

Street or Route

Magee

City

MS

State

39111

Zip Code

Employee

Association with Owner

601.849.6440 (x 325)

Phone Number

601.849.6443

Fax Number

3. Owner of the Facility, Agency or Institution

Pioneer Health Services, Inc.

Name

601.849.6440

Phone Number

PO Box 1100

Street or Route

Simpson

County

Magee

City

MS

State

39111

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

<input type="checkbox"/>
<input type="checkbox"/>
<input checked="" type="checkbox"/>
<input type="checkbox"/>

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

Pioneer Health Services, Inc

Name

PO Box 1100

Street or Route

Simpson

County

Magee

City

MS

State

39111

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. **Legal Interest in the Site of the Institution (Check One)**A. Ownership ☒B. Option to Purchase ☐C. Lease of  Years ☐D. Option to Lease ☐E. Other (Specify) 

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. **Type of Institution (Check as appropriate--more than one response may apply)**A. Hospital (Specify) Acute Care ☒B. Ambulatory Surgical Treatment  
Center (ASTC), Multi-Specialty ☐C. ASTC, Single Specialty ☐D. Home Health Agency ☐E. Hospice ☐F. Mental Health Hospital ☐G. Mental Health Residential  
Treatment Facility ☐H. Mental Retardation Institutional  
Habilitation Facility (ICF/MR) ☐I. Nursing Home ☐J. Outpatient Diagnostic Center ☐K. Recuperation Center ☐L. Rehabilitation Facility ☐M. Residential Hospice ☐N. Non-Residential Methadone  
Facility ☐O. Birthing Center ☐

P. Other Outpatient Facility

(Specify) Q. Other (Specify) 8. **Purpose of Review (Check) as appropriate--more than one response may apply)**A. New Institution ☐B. Replacement/Existing Facility ☐C. Modification/Existing Facility ☐D. Initiation of Health Care  
Service as defined in TCA §  
68-11-1607(4)(Specify) E. Discontinuance of OB Services ☒F. Acquisition of Equipment ☐

G. Change in Bed Complement

[Please note the type of change  
by underlining the appropriate  
response: Increase, Decrease,  
Designation, Distribution,  
Conversion, Relocation]

H. Change of Location ☐I. Other (Specify)

9. **Bed Complement Data***Please indicate current and proposed distribution and certification of facility beds.*

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	25		25	0	25
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical		0	0	0	0
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					0
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>	25	0	25	0	25

\*CON-Beds approved but not yet in service

10. Medicare Provider Number Certification Type 11. Medicaid Provider Number Certification Type 12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? 

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?  If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

*Discuss any out-of-network relationships in place with MCOs/BHOs in the area.*



## **Section B. Project Description**

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

*Pioneer Community Hospital of Scott is currently unopened, but scheduled to provide services in mid to late August 2013. The applicant facility was formerly operated as Scott County Hospital until March 2012 when the facility was forced to close due to financial hardship. Former owner/operators include Baptist Health Systems and Health Management Associates, Inc.*

*The facility was purchased as of July 2013 by Pioneer Health Services, Inc., headquartered in Magee, Mississippi. The facility is wholly owned by Pioneer Health Services and will operate as Pioneer Community Hospital of Scott. Pending licensure and certification, PCH of Scott is scheduled to begin providing services by September 1, 2013 in a limited capacity. Once fully operational the facility will meet all statutory and regulatory requirement of an Acute Care facility operating in the State of Tennessee.*

*Pioneer Community Hospital of Scott's primary service area encompasses 22,173 (2012, US Census estimate) total people, including 4,595 women of reproductive age (15-44). The proposed project involves the discontinuation of obstetric services in PCH of Scott. Project costs will be limited to filing fees, legal consultation fees, and community education. No staff will be necessary to carry out the proposed project. Existing resources in the community providing obstetric services are Circle of Life Clinic in Oneida (staffed by two obstetricians) and Jellico Community Hospital in Campbell County. No extra-operational funding is required to complete the project. As such financial feasibility of the project in the short term is and the applicant does not believe that the successful operation of the facility will be risked by discontinuing obstetric services.*

*Under previous operation, the facility was staffed by two OB/GYNs who both continue to practice in the community, and one of whom will take leadership in the re-opened hospital as Chief of Staff.*

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a

breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project. If the project involves none of the above, describe the development of the proposal.

*The proposed project does not involve construction, modification, or renovation of the facility.*

*Discontinuing obstetric service was considered due to liability and cost to provide the service in a currently financially unstable hospital. Due to the careful orchestration of service re-introduction across the facility, obstetrics provision will be delayed, as a stabilizing return on investment is not expected to occur for some time after re-introduction of services. Further, much consideration was paid to the provision of obstetric services within the area by other providers to ensure that the population would be served.*

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

*Five obstetric beds will be redistributed to acute care service.*

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator

20. Rehabilitation Services

21. Swing Bed Services

*Not applicable.*

D. Describe the need to change location or replace an existing facility.

*Not applicable.*

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. a. Describe the new equipment, including:

- A. Total cost; (As defined by Agency Rule).
- B. Expected useful life;
- C. List of clinical applications to be provided; and
- D. Documentation of FDA Approval.

b. Provide current and proposed schedules of operations.

*Not applicable.*

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

*Not applicable.*

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

*Not applicable*

III. A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (in acres);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

*Please see attached Plot Plans*

B. 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

*Pioneer Community Hospital of Scott is located at 18797 Alberta Street, Oneida, Tennessee. Oneida does not currently have public transportation services and no taxi company provides services to the city. Three county-owned vans are currently used to transport locals to medical facilities in Knoxville, but this will not be utilized for transporting area residents to PCH of Scott. East Tennessee Human Resource Agency Public Transit system is available to provide transportation to the hospital for residents from their homes to a specified location, Monday through Friday from 8 a.m. to 4:30 p.m. This service is by appointment only and costs a nominal fee of \$3.00.*

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

*Please see attached Floor Plans.*

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

*Not applicable.*

### **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

#### **QUESTIONS**

##### **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

A. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

##### **Special Criteria for Discontinuance of Obstetrical Services**

##### **A. Need**

1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.

*2007 year-end data reflects that 76.5% of all admissions to the applicant facility originated in Scott County. An additional 1.9% were attributed to other Tennessee counties (Anderson, Blount, Campbell, Fentress, and Morgan). McCreary County, Kentucky accounts for 21.% of discharges. These 7 counties represent the primary and secondary service areas of the applicant facility.*

2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

*The following table demonstrates the 15-44 year old female population of each county in the applicant's service area in Tennessee.*

**15-44 Yr. Female Population by County**

<u>County</u>	<u>2013</u>	<u>2017</u>	<u>Service Area</u>
Scott	4595	4662	Primary
Anderson	13,848	13,806	Secondary
Blount	25,027	25,739	Secondary
Campbell	7869	7741	Secondary
Fentress	3495	3453	Secondary
Morgan	3564	3562	Secondary

Source: Tennessee Dept. of Health, Office of Policy, Planning and Assessment, Division of Health Statistics.

3. The number of obstetrical patients served by the facility over the past three years should be listed.

**Deliveries at Scott County Hospital**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
Deliveries	155	126	133

Source: Joint Annual Reports of Hospitals, Scott County Hospital (2009-2011).

4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.

*Based on 3-year average birth rate to women ages 15-44 in Scott County (2007-2009), 288 patients are estimated to be affected by the proposal to discontinue OB services. However, at no point in the last 3 years of actual operation did total deliveries exceed 53% of that number. According to the Tennessee Economic Council on Women, 29% of women in Scott County live below the poverty level. Resident Hospital Discharge Data from 2005 Guidelines for Growth, reports 66.7% of delivering mothers from Scott County were covered by TennCare as the primary payer.*

**B. Accessibility**

1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.

<b>Travel Distance to Alternate Providers of Obstetric Services from PCH of Stokes</b>	
<i>Facility</i>	<i>Distance</i>
Jellico Community Hospital (Campbell Co.)	43 miles
Methodist Medical Center Oak Ridge (Anderson Co.)	56 miles

2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.

*Personal vehicles will be the primary method for obstetrical patients seeking services alternate providers. County-owned transportation may also be used with prior arrangement as well as East Tennessee Human Resource Agency Public Transit (ETHRA) for a nominal fee.*

3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.

*Circle of Life Clinic located in Oneida, Scott County TN is currently staffed by an obstetrician formerly affiliated with the applicant facility under previous management. This provider has continued to provide services in the county while the facility has been closed.*

*Jellico Community Hospital and Methodist Medical Center—Oak Ridge are the closest alternate acute care facilities providing obstetric services. While Methodist Medical Center has historically seen considerable utilization from Scott County residents, all-cause admissions of Scott County residents increased almost ten percent from 2011 to 2012. Jellico Community Hospital also experienced an increase of all-cause admissions from Scott County. It is reasonable to expect many delivering mothers in Scott County will seek obstetric services at these close facilities.*

<b>Scott County Patients Treated by Alternate Providers</b>		
<i>Facility</i>	<i>2011</i>	<i>2012</i>
Jellico Community Hospital (Campbell Co.)	5	14
Methodist Medical Center Oak Ridge (Anderson Co.)	447	491

4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.

*Historic charges (median) for obstetrics services provided at the applicant facility are comparable to the nearest alternate provider Jellico Community Hospital, 46 miles from Oneida, TN. Services provided at Methodist Medical Center in Oak Ridge 57 miles away are significantly cheaper than the applicant facility.*

	Median Charge (\$) by Facility Per Service		
Service	PCH of Scott	Jellico Community Hospital	Methodist Medical Center, Oak Ridge
Vaginal Delivery	\$7,327.00	\$8,493.00	\$4,860.00
Cesarean Delivery	\$13,814.00	\$11,806.00	\$7,315.00
Neonate Birth weight >2499 G	\$2,294.00	\$3,407.00	\$1,424.00

5. The applicant should document that TennCare and/or Medicare patients can receive the obstetrical services at the alternate service delivery sites.

*Both Jellico Community Hospital and Methodist Medical Center, Oak Ridge participate in TennCare and Medicare as documented by revenue by payer in the Joint Annual Report of Hospitals 2012.*

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c) .

*Not applicable.*

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

*The discontinuation of obstetric services at the applicant facility is consistent with the long range plans of Pioneer Health Services and Pioneer Community Hospital of Scott. This project supports the careful reopening of an acute care facility in a manner to foster financial stability and long-term health care accessibility for Scott County residents. Ceasing to provide OB services is part of a strategic re-opening of hospital services in a facility that has been closed for approximately one year. Acute care services will be introduced initially, and as the facility gains fiscal stability, a broader range of services will be initiated to meet the health needs of area residents. No definite timeline has been determined.*

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

*The proposed primary service area for PCH of Scott is Scott County. Scott County accounts for 75% of all services patient origin by zip code. McCreary County, Kentucky accounts for 20%. The remaining five percent of patients come from other contiguous Tennessee counties and other states. While these*



*figures represent all services, the applicant feels the patient population seeking obstetric services is highly likely to mirror these figures as the surrounding geographic area is well-served by obstetric services and no contiguous area lies within a designated obstetric service area as defined by the State of Tennessee in 2004. Please see attached maps depicting the primary and secondary service areas for PCH of Scott.*

4. A. Describe the demographics of the population to be served by this proposal.

*The population of Scott County, the primary service area of the applicant facility, is 98% Caucasian and 51% female. 60% of the population is aged 18-65. In 2013, the population of women of reproductive age is estimated to be 4,595.*

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

*Scott County, Tennessee is currently underserved with health services due to a recent closure of the applicant facility. County demographics reflect a poverty rate of 26% ([www.census.gov](http://www.census.gov)). Impoverished households are at greatest risk when healthcare accessibility is poor due to additional costs of time and travel experienced when accessing services in neighboring counties. For some, seeking services elsewhere may be cost-prohibitive until emergency care is required. The proposed project, discontinuation of obstetric services, contributes to the over-arching goal of reintroducing acute care hospital services to the county. Minorities account for 2% of the population. No minority-specific health needs are known to the applicant.*

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

*No similar institution in the primary or secondary service areas related to discontinuation of OB services is currently approved but implemented. No other acute care hospital within the primary service area (Scott County) offers obstetric services. Within the secondary service area Jellico Community Hospital and Methodist Medical Center Oak Ridge offer OB services. In 2010 Jamestown Regional Hospital in Fentress County discontinued obstetric services and converted its four OB beds to medical/surgical use. The following table demonstrates utilization of OB services in alternate provider sites.*

Provider	OB Beds	Days of Capacity	OB Occupancy	Births	Avg. Daily Census
<i>Jellico Community Hospital</i>					
FY 2010	4	1460	24.4%	106	1.00
FY 2011	4	1460	24.8%	162	.98
FY 2012	4	1460	21.3%	149	.86
<i>Methodist Medical Center Oak Ridge</i>					
FY 2010	8	2920	52.3%	662	4.18
FY 2011	8	2920	47.3%	621	3.79
FY 2012	8	2920	47.2%	665	3.77

Source: State of Tennessee Department of Health, Joint Annual Report of Hospitals 2010, 2011, 2012.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

*The following table presents the applicant's historical services utilization for OB services while operating as Scott County Hospital for years 2009-2011. No data is available for 2012 as the facility was closed during this period. No projected utilization data is presented as the proposed project is the discontinuation of the service in question.*

Provider	OB Beds	Days of Capacity	OB Occupancy	Births	Avg. Daily Census
<i>Scott County Hospital</i>					
FY 2009	3	1095	27.7%	115	.83
FY 2010	3	1095	23.4%	106	.70
FY 2011	3	1095	24.9%	108	.71

Source: State of Tennessee Department of Health, Joint Annual Report of Hospitals 2009, 2010, 2011.

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

*Please see the Project Costs Chart below for the costs associated with the project.*

## PROJECT COSTS CHART

A. Construction and equipment acquired by purchase ~~500~~ **50**

1. Architectural and Engineering Fees	0
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	2000
3. Acquisition of Site	0
4. Preparation of Site	0
5. Construction Costs	0
6. Contingency Fund	0
7. Fixed Equipment (Not included in Construction Contract)	0
8. Moveable Equipment (List all equipment over \$50,000)	0
9. Other (Specify)	

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	0
2. Building only	0
3. Land only	0
4. Equipment (Specify)	0
5. Other (Specify)	0

C. Financing Costs and Fees:

1. Interim Financing	0
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify)	0

D. Estimated Project Cost (A+B+C)

	2000
--	------

E. CON Filing Fee

	3000
--	------

F. Total Estimated Project Cost (D+E)

	5000
--	------

TOTAL

	5000
--	------

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed.

(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.

☐ D. Grants--Notification of intent form for grant application or notice of grant award; or

☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.

☐ F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

*To-date, only two costs are associated with the proposed project: Certificate of Need filing fee and legal and administrative fees for regulatory and strategic consultations and publication of public notice. No other costs are anticipated.*

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

*The following pages contain the Historical Data Chart and the Projected Data Chart.*

**HISTORICAL DATA CHART**

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in \_\_January\_\_ (Month).

	Year 2009	Year 2010	Year 2011
A. Utilization Data (Specify unit of measure)	6052 pt days	5580 pt days	5517 pt days
B. Revenue from Services to Patients			
1. Inpatient Services	\$28,285,763	\$23,373,950	\$23,415,015
2. Outpatient Services	26,758,985	31,618,961	40,855,096
3. Emergency Services	8,435,204	8,839,435	2,416,871
4. Other Operating Revenue (Specify) <u>CAH, EAH Payments, Cafeteria, Gift Shop</u>	759,600	2,104,091	1,162,619
<b>Gross Operating Revenue</b>	<b>\$64,239,552</b>	<b>\$65,936,437</b>	<b>\$67,849,601</b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$47,753,918	43,456,063	45,909,270
2. Provision for Charity Care	1,433,905	1,200,388	1,217,324
3. Provisions for Bad Debt	2,202,224	4,704,970	3,689,035
<b>Total Deductions</b>	<b>\$51,390,047</b>	<b>49,361,421</b>	<b>50,815,629</b>
<b>NET OPERATING REVENUE</b>	<b>\$12,849,505</b>	<b>\$16,575,016</b>	<b>\$17,033,972</b>
D. Operating Expenses			
1. Salaries and Wages	\$7,442,902	6,858,717	7,187,123
2. Physician's Salaries and Wages	0	0	0
3. Supplies	*IN OTHER	*IN OTHER	*IN OTHER
4. Taxes	0	0	0
5. Depreciation	504,074	293,125	171,008
6. Rent	0	0	0
7. Interest, other than Capital	277,718	565,096	452,622
8. Management Fees:			
a. Fees to Affiliates	1,517,312	2,075,303	1,969,598
b. Fees to Non-Affiliates	0	0	0
9. Other Expenses – Specify	11,670,099	10,694,673	12,097,213
<b>Total Operating Expenses</b>	<b>21,412,105</b>	<b>20,486,914</b>	<b>21,877,564</b>
E. Other Revenue (Expenses) – Net (Specify) _____	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>(8,562,600)</b>	<b>(\$3,911,898)</b>	<b>\$(4,843,592)</b>
F. Capital Expenditures			
1. Retirement of Principal	0	0	0
2. Interest	0	0	0
<b>Total Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$(8,562,600)</u></b>	<b><u>(\$3,911,898)</u></b>	<b><u>\$(4,843,592)</u></b>
<b>LESS CAPITAL EXPENDITURES</b>			

**PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in September \_\_ (Month).

	<b>Year_2014</b>	<b>Year_2015</b>
A. Utilization Data (Specify unit of measure)	1663 pt days	3528 pt days
B. Revenue from Services to Patients		
1. Inpatient Services	5,999,996	\$8,733,086
2. Outpatient Services	1,929,385	3,281,421
3. Emergency Services	2,520,000	3,217,500
4. Other Operating Revenue: Clinic Revenue, Partial Revenue	526,250	762,900
<b>Gross Operating Revenue</b>	<b>\$10,975,631</b>	<b>15,994,907</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	4,651,949	6,782,582
2. Provision for Charity Care	219,513	319,898
3. Provisions for Bad Debt	768,294	1,119,644
<b>Total Deductions</b>	<b>5,639,756</b>	<b>8,222,124</b>
<b>NET OPERATING REVENUE</b>	<b>5,335,875</b>	<b>7,772,783</b>
D. Operating Expenses		
1. Salaries and Wages	2,817,721	4,644,445
2. Physician's Salaries and Wages	1,120,776	1,200,000
3. Supplies	310,417	839,243
4. Taxes	0	0
5. Depreciation	0	0
6. Rent	132,800	75,000
7. Interest, other than Capital	0	0
Management Fees:		
a. Fees to Affiliates	478,940	697,826
b. Fees to Non-Affiliates	0	0
9. Other Expenses – Utilities, Marketing, Misc Fees, Education	202,930	214,724
<b>Total Operating Expenses</b>	<b>5,063,584</b>	<b>7,671,238</b>
E. Other Revenue (Expenses) -- Net (Specify) _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>272,291</b>	<b>101,545</b>
F. Capital Expenditures		
1. Retirement of Principal	\$ _____	\$ _____
2. Interest	_____	_____
<b>Total Capital Expenditures</b>		<b>\$ _____</b>

**NET OPERATING INCOME (LOSS)**  
**LESS CAPITAL EXPENDITURES**

**\$272,291**

**\$101,545**

**HISTORICAL DATA CHART-OTHER EXPENSES**

**OTHER EXPENSES CATEGORIES**

**Year 2009**

**Year 2010**

**Year 2011**

1.	Employee Benefits	2,134,748	1,887,224	2,013,246
2.	Professional Fees	781,664	747,421	672,360
3.	Energy	466,769	266,646	265,049
4.	Supplies, Purchased Services, Non-operating Expenses not available in detail	8,286,918	7,793,382	9,146,558
5.				
6.				
7.				
	<b>Total Other Expenses</b>	<b>\$11,670,099</b>	<b>\$10,694,673</b>	<b>\$12,097,213</b>

**PROJECTED DATA CHART-OTHER EXPENSES**

**OTHER EXPENSES CATEGORIES**

**FY 2014**

**FY 2015**

1.	Phone	102,930	114,724
2.	Service Contract	45,000	45,000
3.	Travel	15,000	15,000
4.	Repair	40,000	40,000
5.			
6.			
7.			
	<b>Total Other Expenses</b>	<b>\$202,930</b>	<b>\$214,724</b>



**PROJECTED DATA CHART with Obstetrical Services**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in September \_\_ (Month).

	Year 2014	Year 2015
A. Utilization Data (Specify unit of measure)	1759 pt days	3672 pt days
B. Revenue from Services to Patients		
1. Inpatient Services	\$6,278,588	\$9,151,104
2. Outpatient Services	1,929,385	3,281,421
3. Emergency Services	2,520,000	3,217,500
4. Other Operating Revenue : Clinic Revenue, Partial Revenue	526,250	762,900
<b>Gross Operating Revenue</b>	<b>\$11,254,223</b>	<b>16,412,925</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	4,833,034	7,054,293
2. Provision for Charity Care	225,084	311,846
3. Provisions for Bad Debt	776,541	1,148,905
<b>Total Deductions</b>	<b>5,834,659</b>	<b>8,515,044</b>
<b>NET OPERATING REVENUE</b>	<b>5,419,564</b>	<b>7,897,881</b>
D. Operating Expenses		
1. Salaries and Wages	3,504,295	5,331,019
2. Physician's Salaries and Wages	1,424,776	1,504,000
3. Supplies	355,417	884,243
4. Taxes	0	0
5. Depreciation	0	0
6. Rent	132,800	75,000
7. Interest, other than Capital	0	0
8. Management Fees:		
a. Fees to Affiliates	478,940	697,826
b. Fees to Non-Affiliates	0	0
9. Other Expenses -- Utilities, Marketing, Misc Fees, Education	258,930	270,724
<b>Total Operating Expenses</b>	<b>6,155,158</b>	<b>8,762,812</b>
E. Other Revenue (Expenses) -- Net (Specify) _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>(735,594)</b>	<b>(864,931)</b>
F. Capital Expenditures		
1. Retirement of Principal	\$ _____	\$ _____
2. Interest	_____	_____
<b>Total Capital Expenditures</b>		<b>\$ _____</b>

NET OPERATING INCOME (LOSS)	(735,594)	(864,931)
LESS CAPITAL EXPENDITURES		

PROJECTED DATA CHART with Obstetrical Services-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>		FY 2014	FY 2015
1.	Phone	102930	114,724
2.	Service Contract	45,000	45,000
3.	Travel	15,000	15,000
4.	Repair	46,000	46,000
5.		50,000	50,000
6.			
7.			
Total Other Expenses		\$258,930	\$270,724

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

*Not applicable. The proposed project is the discontinuation of obstetrics service. There will be no charges applicable.*

6.

A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

*Charge schedules used during the most recent operation of the applicant facility have not been readily located. No charges have been developed for obstetrics services due to this request for approval to discontinue the service. No revenue is anticipated to result from the proposed project, and no impact to patient charges upon re-opening the currently closed facility is expected.*

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

*Not applicable.*

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

*Not applicable. No new service or equipment is proposed for which utilization rates are applicable.*

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

*Not applicable. No new service is proposed for which feasibility studies are applicable.*

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

*Pioneer Community Hospital of Scott is committed to meeting the needs of the community and the region, and will continue the provision of medically necessary care, regardless of ability to pay, payor source, age, race or gender. PCH of Scott will participate in both Federal and State programs, including Medicare, TennCare, and Medicaid programs. The applicant is committed to providing charity care at a 2% of revenue.*

*Historically, the applicant facility has provided considerable levels of service to beneficiaries of government programs. Medicare patients accounted for 67% percent of the applicant's acute patient days in 2011, while TennCare and Medicaid patients accounted for 17% of inpatient days.*

*The proposed project will not generate additional revenue from government payers as the proposal is for discontinuation of obstetric services.*

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

*No audited income statements have been readily located for the applicant facility. Please see the attached unaudited income statements and balance sheets from 2010 and 2011 from the periods when the applicant facility operated as St. Mary's of Scott and Scott County Hospital. 2011 financials reflect only the last quarter of 2011 when the facility was operated by Health Management Associates, Inc. (HMA).*

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

*Discontinuation of obstetric services is a component of a larger plan to bring a currently closed facility to fully operational status. The re-opening of the former Scott County Hospital has been delayed by repeated financial difficulties and change in ownership. Providing emergency and acute care services with supporting ancillaries has been prioritized so that the facility will reach financial stability with greater efficiency before bringing on more financially challenging services. In light of this plan, no alternative has been considered.*

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

*Not applicable. The project does not include new construction.*

### (III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

*Pioneer Community Hospital of Scott has contracted or intends to contract with the following payers:*

AETNA TN

BLUE CROSS BLUE SHIELD TN

Affiliates: Voluntary Health Service Plan(CMO/HMO)

Affiliates: Partners for Health(State of TN Group Insurance accessing BCBSTN Network Plan S)

Health Insurance Exchange: May 8,2013, BCBSTN filed with the State to offer Network Plan E

CIGNA

Affiliates: Partners for Health(State of TN Group Insurance)

Health Insurance Exchange

Community Health Alliance

CORVEL(Workers Compensation)

COVENTRY FIRST HEALTH(merging with AETNA)

GEHA(Government Employee Health Association)

HERITAGE SUMMIT

HUMANA TN

Health Insurance Exchange

THE INITIAL GROUP PRIME NETWORK(formerly MercyNet)

MULTIPLAN

NOVANET, INC.

UNITED HEALTHCARE TN

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

*The proposal will continue a gap in the more comprehensive provision of healthcare in Scott County. However, the discontinuation of OB services will contribute to the development of a stable acute care presence where there has not been one for almost one year. Alternate providers in the area that have been providing the discontinued service for Scott County residents will not significantly change from the rates reported in Section C. Accessibility Question 5.. The rates therein described reflect usage during the closure of Scott County Hospital. Further, both alternate facilities are operating below capacity and should not experience undue burden due to discontinuation of OB services at the applicant facility.*

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

*Not applicable. This project does not involve adding FTE's.*

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

*Not applicable.*

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

*Pioneer Community Hospital of Scott has reviewed and understands all licensing certification as required by the State of Tennessee. PCH of Scott has policies and procedures in place governing regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.*

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

*Pioneer Health Services does accept residents to provide locum tenens coverage in emergency departments in their capacities as physicians, but takes no active part in the instruction of medical residents. Pioneer Community Hospital of Scott may rely on the temporary services of residents in the future.*

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

*The proposed project will comply with licensure requirements of the Department of Health. The facility will not provide any services that require licensure by the Department of Mental Health and Mental Retardation.*

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

*Pioneer Community Hospital of Scott is currently re-opening from inactive status and is not yet fully licensed. Upon licensure the applicant will be licensed to provide acute care services by the Board for Licensing Health Care Facilities.*

Accreditation:

*Pioneer Community Hospital of Scott is currently re-opening and is not yet accredited. The applicant is committed to achieving accreditation through Det Norske Veritas (DNV).*

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

*Pioneer Community Hospital of Scott is currently in the process of re-opening and is not yet licensed and accredited.*

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

*Not applicable. PCH of Scott is not yet licensed.*

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

*Pioneer Health Services, owner and operator of Pioneer Community Hospital of Scott, has no final orders or judgments entered in any state or county by a licensing agency or court against professional licenses held by the applicants or any entities or persons with more than a 5% ownership interest in the applicant.*

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

*There are no final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.*

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

*The applicant will continue to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as requested.*

#### PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

#### DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.



# CLASSIFIEDS

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## PUBLIC NOTICES

### NOTICE OF SUBSTITUTE TRUSTEE'S SALE

WHEREAS, default having been made in the payment of the debts and obligations secured by that certain Real Estate Deed of Trust for Tennessee executed on December 5, 1991, by John P. Chambers and wife, Lizzie D. Chambers to Randle B. Richardson, Trustee, as same appears of record in the Register's Office of Scott County, Tennessee in Book 123, Page 406, ("Deed of Trust"); and

WHEREAS, the beneficial interest of said Deed(s) of Trust is the United States of America, acting by and through the United States Department of Agriculture ("USDA"); and

WHEREAS, USDA, the current owner and holder of said Deed(s) of Trust, appointed Joe Woody as Substitute Trustee by instrument filed for record in the Register's Office of Scott County, Tennessee, with all the rights, powers and privileges of the original Trustee named in said Deed(s) of Trust; and

NOW THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable as provided in said Deed(s) of Trust by USDA, and Joe Woody as Substitute Trustee, or duly appointed agent, pursuant to the power, duty and authorization in and conferred by said Deed(s) of Trust, will on Tuesday, September 3, 2013, commencing at 10:00 A.M. at the east door of the Scott County Courthouse, Huntsville, Tennessee, proceed to sell at public outcry to the highest bidder either for cash (must be in the form of a cashier's check) or 10 percent of the high bid price as a non-refundable deposit with balance due within ten (10) days of sale, (and if such balance goes unpaid, USDA will retain the deposit and re-foreclose) the following-described property lying and being in the First Civil District in Scott County, Tennessee to wit:

Lot No 8-12 of the scenic hills Estate Subdivision, identified on plat map recorded in Plat Cabinet A, Slide 53 in the Office of the Register for Scott County, Tennessee. Map 97 Parcel 113. PROPERTY ADDRESS: 191 Maclessa St. Huntsville, TN 37756.

Being the same property conveyed to John P. Chambers and wife Lizzie D. Chambers by deed of record in deed Book 193, Page 758, in the said Register's Office. CURRENT OWNERS: Heirs of John P. Chambers, (Debra Bolin Chambers, by assumption agreement).

4730 New Harvest Lane, Suite 300  
Knoxville TN 37918  
<http://www.cj-law.com>

### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Pioneer Community Hospital of Scott, an acute care hospital, owned by Pioneer Health Services with an ownership type of sole proprietorship and to be managed by Pioneer Health Services intends to file an application for a Certificate of Need for the discontinuation of obstetric services affecting 5 beds. If approved, 5 designated obstetric service beds will be converted to provide acute or swing bed services. This action has a projected cost of \$5000. Pioneer Community Hospital of Scott is located at 18797 Alberta Street, Oneida, TN 37841.

The anticipated date of filing the application is August 12, 2013. The contact person for this project is Jerry Howell, Regional Hospital Operations, who may be reached at Pioneer Health Services, 110 Pioneer Way, Magee, MS 39111 or 601.849.6440.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

(8-8-13np)

## Help Wanted

NEEDED: Flat bed and van drivers; 2 Yrs. experience and drug test required. TCT 0142-1750 Towle String Rd., Jackson, TN. Monday-Friday 9 am - 3 pm. (5-31-npfn)

OFFICE ASSISTANT: Filing, phones, customer service. Preference given to bookkeeping and tax experience. Hours are flexible: 10-30 hours in summer; 40-50 in winter. Interested candidates mail resume to: Resume, P.O. Box 4382, Oneida, TN 37841. (8-1-2np)

## FURNITURE SALE

HUGE FURNITURE SALE: Fri. & Sat., Aug 9th & 10th. Landmark Baptist Church and Christian Academy is holding a huge furniture sale. Landmark has a gym full of used hotel room furniture that must be sold. It is in mostly great condition and is priced to move! A percentage of the sales are to help raise funds for Landmark Christian Academy's 2013-14 school year. Items include: nice dressers \$45; mattresses \$25; box springs \$25; leather wing back chairs \$20; elegant night stands \$25; lamps, tables, chairs and more. Landmark will have someone available to assist you all day Fri. and Sat. from 8am to 5pm. Located in the Landmark gym (on the hill behind Plateau Electric).

## FREE-FREE-FREE

1 FREE PUP TO A GOOD HOME, 8 weeks old, available, black with gray socks. Mother is lab, very good with children. Call 423-225-4829 or 569-8873.



**HOUSE FOR SALE**  
455 Anderson Hollow Rd. Huntsville Hwy 63, 15 minutes from I-75. 1600 sq ft, 3 BR, 2 BA, Central Heat & Air + wood stove, 2 car garage. New metal roof, 1.8 acres. Call 539-5231 for additional information.

## Post Construction AUCTION SALE

There will be an Auction Sale for the **Black Oak Baptist Church** located at 4911 Coopertown Road, Oneida (behind new church) on **August 10th at 1:00 a.m.** This sale consists of things owned by the church and not used in the new church. Members have donated items as well.

Some items include:  
(24) 13' Church Pews  
(6) Central Heating & Air units  
Chandeliers that hung in the church  
Custom built kitchen cabinets and sinks  
Microwave oven-New and slightly used  
Cupboard and refrigerator doors-2200 model

## WANTED

SEEKING A FEMALE roommate, \$200.00 month, you have no bills, please call 423-223-5225. Room duties are to clean house and help with food. (8-1-2np)

## YARD SALES

YARD SALE: Saturday 9 till 7 810 mile past New Haven Church follow signs. Little like kitchen and toys, power wheel, lots of junior name brand clothes size 12/14/00 to size 4, boys size 8/10/12. Some boys 3t-4t, womens 12-16, and some mens clothes, large to xl-comforters and much more. Rain or shine.

FIRST 3 family Carport Sale this year! Saturday, August 10, 8-7 rain or shine. Across from Boys & Girls Club, cross tracks, turn left, follow signs to Pullman Lane. Clothing, quilts, sewing machine, filing cabinet, rugs, china dishes and lots of misc.

CARPORT SALE: Rain or shine, Friday 8 to 2 4 Family Sale, 1st sale of the year! Across from West-Ready Mix, follow signs. Mens, Womens, Jr. and baby clothing, mens suits, over 75 pieces of jewelry, few hunting items, home appliances, movies, much more!

YARD SALE at the home of Steve Stanley, Saturday, Aug 10th from 8 to 1:00. Infant toys, bounce, walker, etc., baby clothes, purses, lots of stuff! 150 Crawford Phillips Lane, Oneida, (Pine Hill area, Phillips Flats) 865-617-8681.

## FOR RENT

SINGLE APARTMENT For Rent, 1 and 2 bedrooms included (nice) \$330 month/\$150.00 deposit. Located near school bus garage in Helenwood. Call 223-1113. (7-18-npfn)

HOUSE FOR RENT within Oneida City Limits, 3 Bedrooms, \$350/month. Call 627-2419 after 5:00 p.m. (7-25-npfn)

TRAILER FOR RENT: 2 Bedroom in Oneida area. Utilities included. Call 569-3362. (7-25-npfn)

FOR RENT: Trailers and a trailer lot. Newly remodeled. No Pets. Call 569-8608. (8-1-npfn)

FOR RENT: In Winfield, 2 and 3 bedroom mobile homes; utilities furnished, no pets. Call 569-2367 or 569-3499, between 9am-9pm. (9-23-npfn)

HOUSE FOR RENT and accepting housing applications at HOPE, Inc. 641 Baker Hwy. Huntsville, TN. Call 423-663-3818 for more information, or email [hopenet@hopehousing.biz](mailto:hopenet@hopehousing.biz). (8-2-npfn)

## MISSING

MISSING: Black Angus Bull, weights approximately 700-800 pounds. Missing from the Black Creek Cross roads area. If found call Clifford Jones at 432-627-4413.

## LAND FOR SALE

2.2 ACRES, Commercial land for sale, located on Hwy 27, beside Helenwood Food store. Priced to sell. Call 423-223-3057. (8-8-2np)

## THE CAPITOL 3 THEATRE

All Digital Projection & Sound! Capitol 2D  
Matinee Adult Child  
\$5.00 \$7.00 \$5.00  
The Capitol 3 Theatre:  
Showtimes: Fri. Aug. 9-Thru. Aug. 15  
Bargain Tuesday - ALL 2D tickets  
\$5.00 ALL DAY!  
Planes 2D (PG) 2:15, 7:15  
Planes 3D (PG) 4:30, 9:20  
The Smurfs 2 (PG) 1:45, 4:15, 6:50, 9:30  
The Conjuring (R) 2:00, 4:40, 7:30, 10:15  
\*Shows Sat & Sun only  
\*\*Shows Fri & Sat only  
Times & Tickets Subject to Change  
Phoenix Big Cinemas  
THE CAPITOL 3 THEATRE  
Oneida, TN 423-569-9090  
PhoenixBigCinemas.com

Huntsville Manor Accepting Applications  
For: Certified Nursing Assistants  
Interested applicants can send resume to [admission@huntsvill Manor.com](mailto:admission@huntsvill Manor.com) or pick up application at the Information Center at 287 Baker Street, Huntsville, TN  
E.O.E.

**VEHICLES FOR SALE**  
Citizens Gas Utility District has the following vehicles for sale by bid.  
2006 F-150 4x4 • 5.3L Engine • Approximately 148,000 miles  
2001 F-150 • 5.4L Engine • Approximately 180,097 miles  
Both vehicles can be seen at Citizens Gas Helenwood office at 12519 Scott Hwy.  
For more information call Mike Watters at 423-569-4457.  
Both Vehicles are sold AS IS. Citizens Gas has the right to reject any or all bids.  
Bids should be placed in a sealed envelope with the vehicle description on the front and turned in by August 19, 2013 by 8:00 a.m.

**The Solution Source** has position available  
POSITION VACANCY: Case Manager, Scott-Region (Fentress and Morgan Counties)  
CASE MANAGER wanted for Morgan and Fentress Counties. Position involves handling of cases in juvenile court.

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	0	n/a
2. <u>Construction documents approved by the Tennessee Department of Health</u>		n/a
3. <u>Construction contract signed</u>		n/a
4. <u>Building permit secured</u>		n/a
5. <u>Site preparation completed</u>		n/a
6. <u>Building construction commenced</u>		n/a
7. <u>Construction 40% complete</u>		n/a
8. <u>Construction 80% complete</u>		n/a
9. <u>Construction 100% complete (approved for occupancy)</u>		n/a
10. <u>*Issuance of license</u>		9/1/2013
11. <u>*Initiation of service</u>		9/1/2013
12. <u>Final Architectural Certification of Payment</u>		n/a
13. <u>Final Project Report Form (HF0055)</u>		n/a

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVITSTATE OF Mississippi  
2013 AUG 12 AM 9 46COUNTY OF Simpson County Mississippi2013 AUG 11 PM 4 58  
*K. E.*

Jerry Howell being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

*[Signature]*  
SIGNATURE/TITLE

Sworn to and subscribed before me this 9th day of August 2013 a Notary  
(Month) (Year)

Public in and for the County/State of Simpson County Mississippi

*Teresa J. Myers*  
NOTARY PUBLIC

My commission expires June 5 2017  
(Month/Day) (Year)

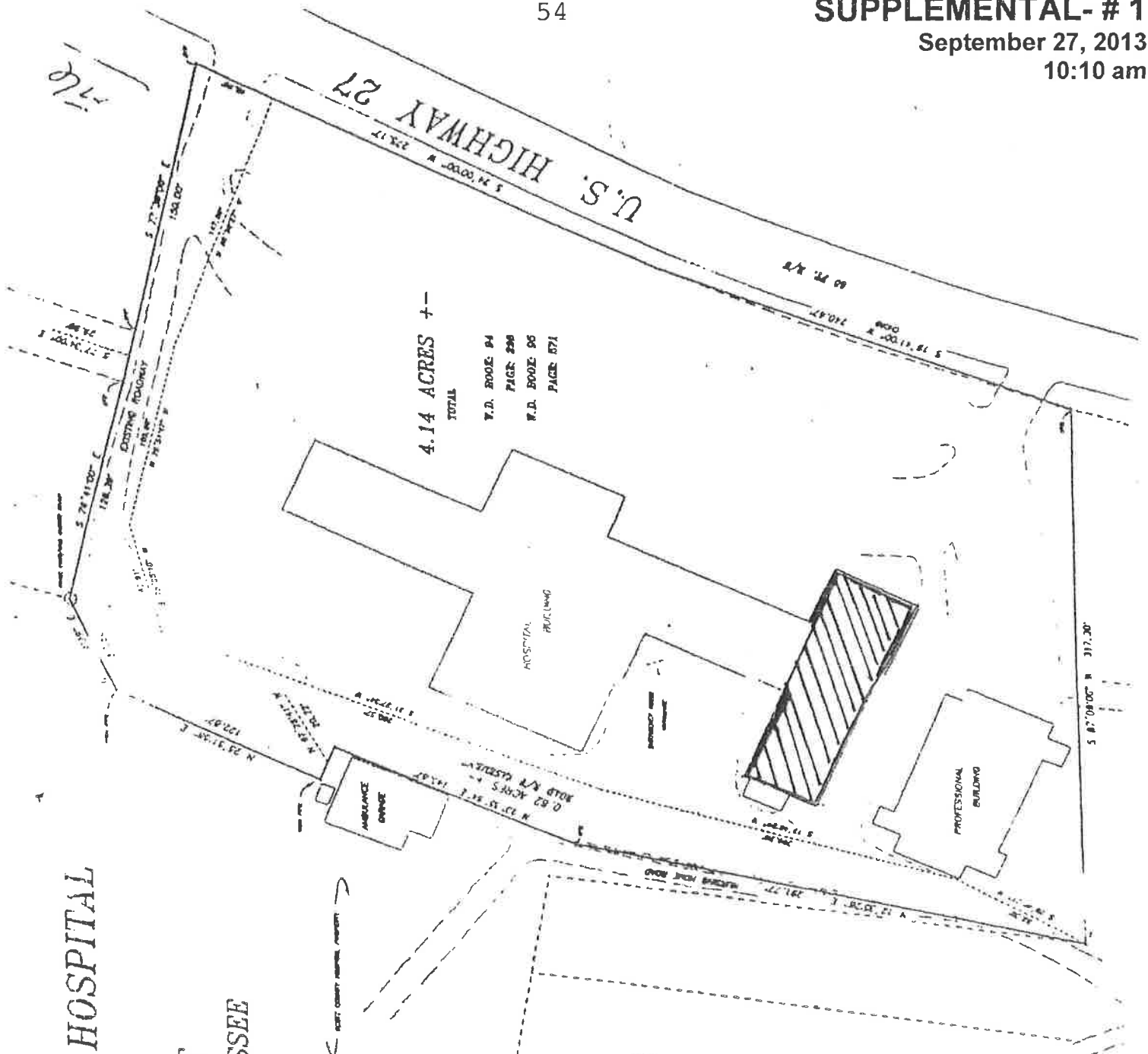


**ATTACHMENTS**

Attachment B.

III. A Plot Plan of Pioneer Community Hospital of Scott

Recd

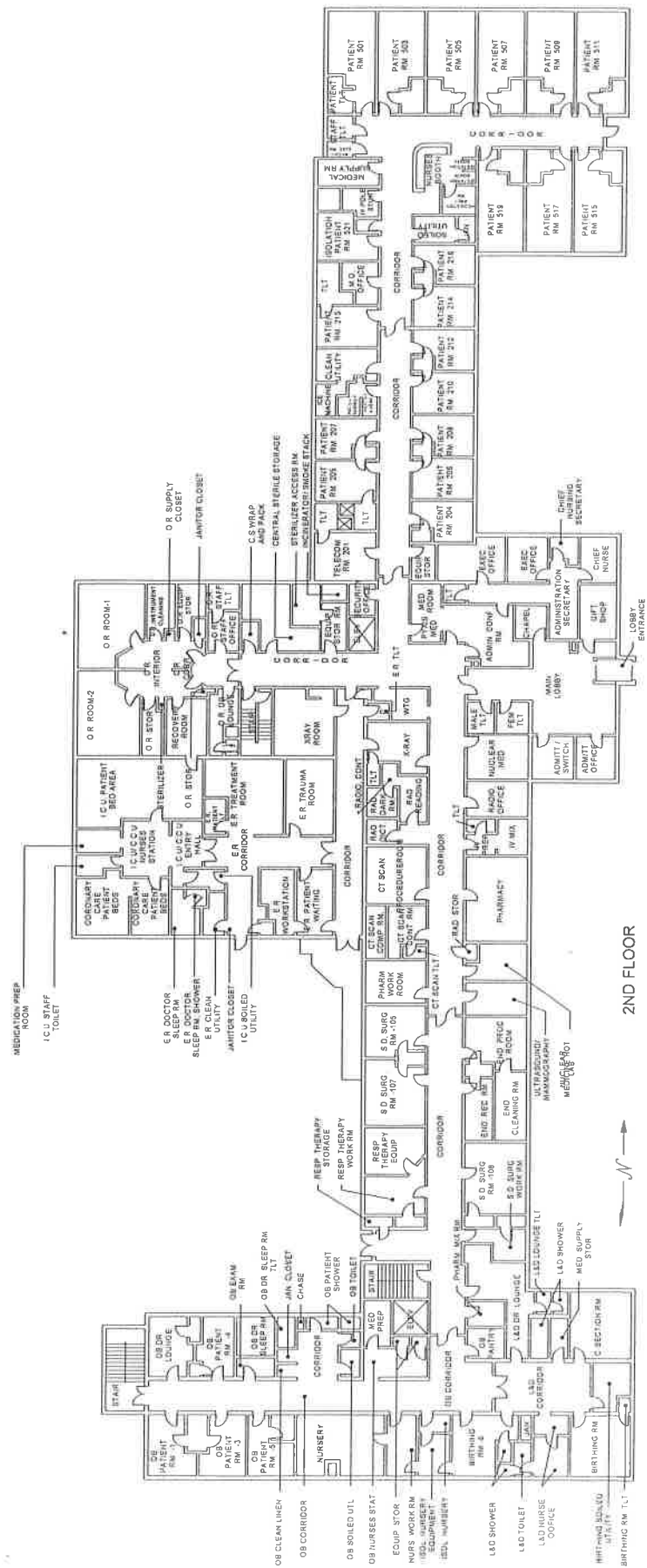


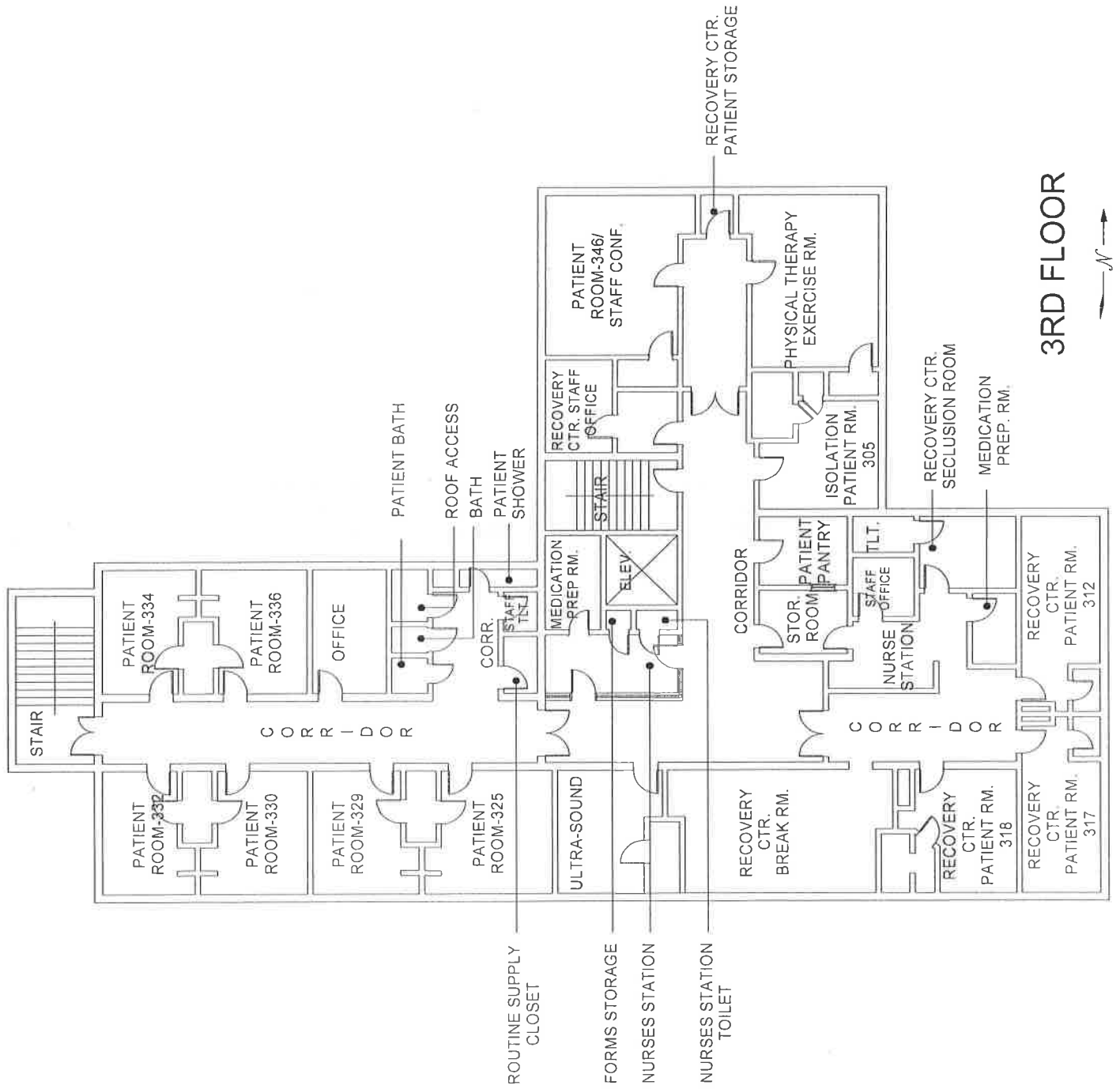
Attachment B.

IV. Floor Plans of Pioneer Community Hospital of Scott







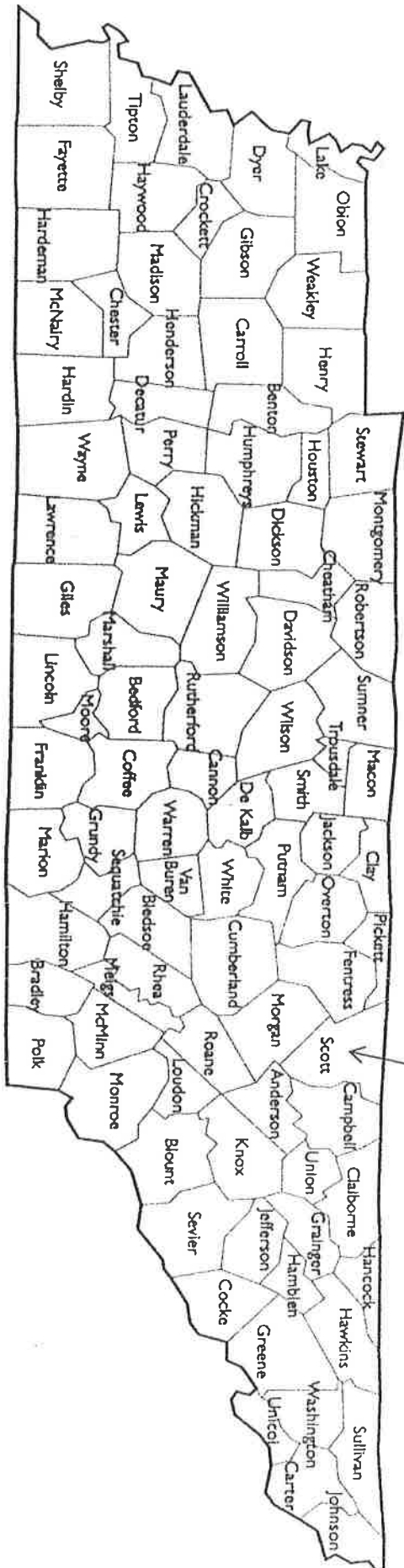


Attachment C.

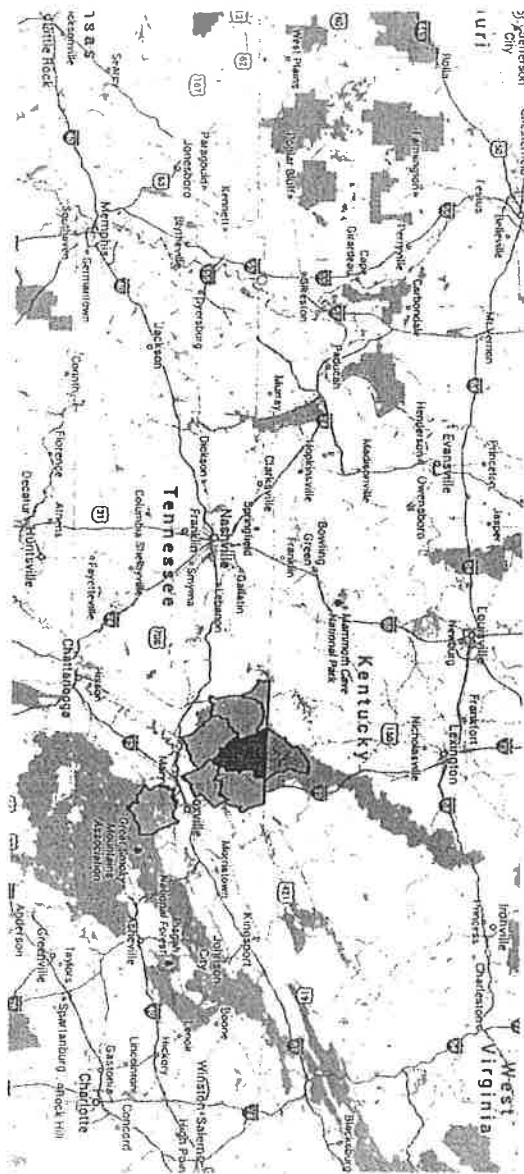
Need-3

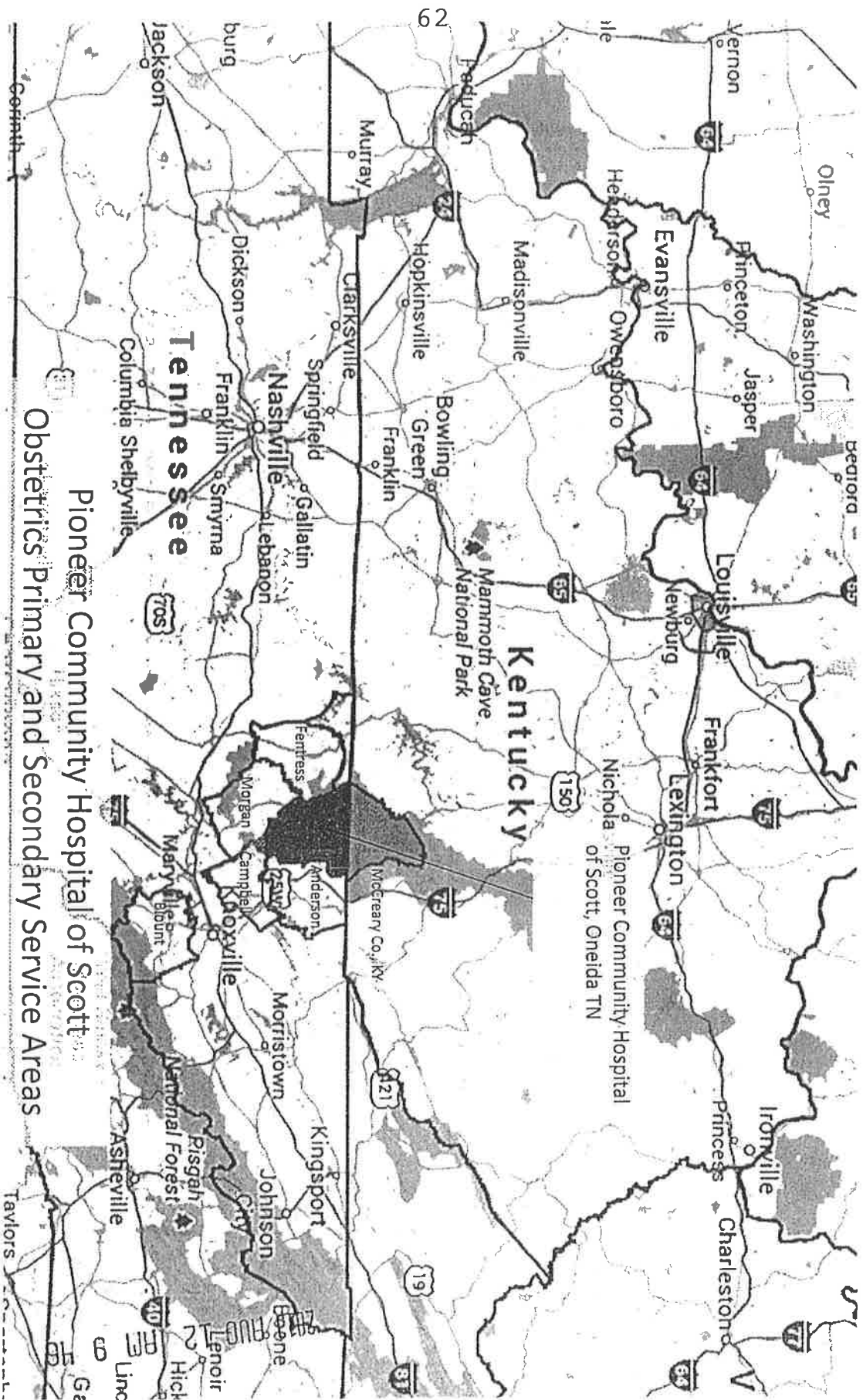
Map of Scott County, Tennessee

Service Area Map for Pioneer Community Hospital of Scott



Pioneer Community  
Hospital of Scott,  
Oneida TN







## Attachment C

### Economic Feasibility-10

Income Statements and Balance sheets for St. Mary's of Scott (2010) and Scott County Hospital (2011)



ST MARYS MEDICAL CENTER OF SCOTT CO TY  
 CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
 FOR 11TH MONTH ENDED  
 NOVEMBER 30, 2010

DATE: 12/10/10  
 TIME: 10:54:31

ACTUAL	MONTH BUDGET	PR. YR.	ACTUAL	YEAR-TO-DATE BUDGET	PR. YR.
670,819	721,106		Patient Revenue:		
1,490,751	1,992,682		Inpatient Routine	6,872,065	8,094,195
3,203,822	3,249,584		Inpatient Ancillary	21,297,980	18,799,175
			Outpatient	35,533,369	33,833,340
5,365,392	5,963,372		Total Patient Revenue	64,488,388	60,726,710
932,680	1,682,057		Deductions From Revenue:		
2,356,292	2,499,629		I/P Contractuals	17,964,295	17,056,831
			O/P Contractuals	27,345,637	26,311,729
			Prior Year Adjustments	00	00
3,288,972	4,181,686		Total Deductions From Revenue	45,309,932	43,368,560
2,076,420	1,701,686		Net Patient Revenue	19,178,456	17,358,150
10,960	7,333		Other Revenue	100,667	161,943
2,087,380	1,709,019		Net Revenue	19,279,123	17,520,093
587,238	631,037		Operating Expenses:		
206,348	190,145		Salaries & Wages	6,232,307	7,033,683
930	121,922		Benefits	2,171,245	1,233,855
362,164	3,415		Contract Labor	42,366	44,258
159,376	267,568		Provision for Bad Debts	4,203,701	2,858,933
318,474	187,093		Supplies	1,856,116	2,062,150
49,937	343,617		Purchased Services	3,612,781	2,061,620
1,667	72,011		Repairs & Maintenance	740,213	3,559,001
86,672	15,660		Physician Recruiting	140,403	802,175
45,665	107,417		Leases & Rentals	1,030,382	153,824
	82,199		Other Operating Expenses	742,889	1,575,412
1,818,471	1,900,162		Total Operating Expenses	20,772,403	1,037,599
268,909	(111,143)		EBITDA before RE Lease	(792,605)	20,003,984
12,88	(5,21)		Margin &	(3,97)	(2,483,891)
	11,666		Real Estate Lease	00	(14,18)
268,909	(122,809)		EBITDA FROM CONT. OPERATIONS	(792,605)	116,658
15,618	29,665		Depreciation & Amortization	277,507	(2,500,549)
48,908	23,000		Interest	521,695	342,351
00	00		Inc/Loss from Disc Operation	00	245,813
00	00		Impairment Expense	00	00
54,527	52,465		Total Non Operating Exp	799,202	00
204,382	(175,274)		Income before Taxes	(1,591,807)	588,164
00	00		Income Taxes	00	(3,188,713)
204,382	(175,274)		Net Income	(1,591,807)	00
00	00		Acc' Prefd Dividends/Accretion	(2,354,442)	(3,188,713)
204,382	(175,274)		Net Income Attributable to Common Shareholders	(1,591,807)	00
			STATISTICS & OTHER DATA	(2,354,442)	(3,188,713)
147	170		Admissions	1,752	1,840
364	423		Adjusted Admissions	4,787	4,228
5,735	2,281		Net Rev / AA	4,174	4,046
492	536		Patient Days	5,024	4,144
1,221	1,178		Adjusted Patient Days	13,691	6,394
16,4	14,9		ADC	12,757	14,559
1,710	801		Net Rev / APD	15,0	19,1
3,35	2,84		ALOS	1,459	1,203
2,681	2,821		O/P Regs Incl All Visits	3,15	3,48
1,192	1,231		ER Visits	30,898	31,720
7	16		I/P Surgeries	13,820	13,668
69	100		O/P Surgeries	264	230
182	441		Clinic/RHC/Home Health Visits	836	912
4,5	191		Total Paid & Contract FTEs	4,989	7,865
86	4,6		Total Paid/Contract FTE/ADDC	177	201
26	87		Total Paid/Contract Hrs / AA	4,3	4,6
164	27		Total Paid/Contract Hrs / APD	90	91
77	171		Total Wkd FTEs	25	26
	69		Total Wkd Hrs / AA	155	176
				62	79

S T M A R Y S M E D I C A L C E N T E R O F S C O T T C O U N T Y  
 CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
 FOR THE PERIOD ENDING NOVEMBER 30, 2010

DATE: 12/10/10  
 TIME: 10:54:36

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Patient Revenue:													
Inpatient Routine	649,187	576,108	628,172	661,932	567,543	636,029	582,261	572,219	673,362	654,433	670,819	0	6,872,065
Inpatient Ancillary	1,317,003	1,319,025	1,267,195	1,548,073	1,298,788	1,444,207	1,279,874	1,127,102	1,355,496	1,307,052	1,490,751	0	14,754,566
Outpatient	2,998,169	2,937,561	3,688,043	3,447,438	3,337,560	3,483,940	3,553,803	3,772,022	3,535,526	3,260,096	3,203,822	0	37,218,090
Total Patient Revenue	4,964,359	4,832,694	5,583,410	5,657,443	5,203,991	5,564,176	5,415,938	5,471,343	5,564,384	5,221,581	5,365,392	0	58,844,711
Deductions From Revenue:													
I/P Contractuals	1,406,739	1,030,916	941,104	1,280,502	1,117,373	1,674,189	246,397	910,668	846,549	214,590	932,680	0	10,601,807
O/P Contractuals	1,943,168	2,331,499	2,786,946	2,735,570	2,554,500	2,757,803	2,792,411	2,878,554	2,733,748	2,465,262	2,356,292	0	28,335,753
Prior Year Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Deductions From Revenue	3,349,907	3,362,415	3,728,050	4,016,072	3,671,873	4,431,992	3,038,808	3,789,222	3,580,297	2,679,852	3,288,972	0	38,937,560
Net Patient Revenue	1,614,452	1,470,279	1,855,360	1,641,371	1,532,118	1,132,184	2,377,130	1,682,121	1,984,087	2,541,629	2,076,420	0	19,907,151
Other Revenue	5,315	(17,852)	32,126	3,088	10,349	(10,075)	5,997	7,094	18,793	6,851	10,960	0	72,646
Net Revenue	1,619,767	1,452,427	1,887,486	1,644,459	1,542,467	1,122,109	2,383,127	1,689,215	2,002,880	2,548,480	2,087,380	0	19,979,797
Operating Expenses:													
Salaries & Wages	589,926	523,106	568,818	565,520	570,713	551,973	571,579	559,608	563,039	580,788	587,238	0	6,232,308
Benefits	168,297	171,546	242,191	209,979	201,941	175,094	199,743	201,745	198,588	195,750	206,348	0	2,171,245
Contract Labor	2,316	6,816	6,150	4,920	1,812	2,316	4,584	2,508	2,508	3,072	930	0	42,366
Provision for Bad Debt	420,290	485,916	554,933	432,022	287,256	39,877	431,833	311,982	415,417	461,012	352,164	0	4,203,702
Supplies	161,928	150,572	175,063	162,316	140,047	157,505	204,953	163,089	197,077	184,183	159,375	0	1,856,115
Purchased Services	299,238	274,238	382,439	330,447	359,050	324,086	364,844	309,687	332,720	317,520	318,474	0	3,612,783
Repairs & Maintenance	88,992	47,455	140,864	75,861	65,836	58,544	49,778	58,695	51,789	45,205	40,237	0	740,246
Physician Recruiting	19,430	20,080	13,293	12,531	8,332	54,303	1,667	1,667	1,667	1,667	1,667	0	140,405
Leases & Rentals	103,535	106,518	131,972	96,817	110,158	84,463	83,835	78,346	89,773	85,715	86,672	0	1,030,382
Other Operating Expenses	113,529	32,132	72,250	74,226	53,677	71,698	83,370	71,041	68,298	57,024	45,665	0	742,189
Total Operating Expenses	1,967,481	1,819,379	2,266,073	1,965,639	1,798,846	1,523,859	1,996,186	1,763,360	1,920,882	1,932,236	1,818,471	0	20,772,412
EBITDA before RE Lease	(347,714)	(366,952)	(378,587)	(321,180)	(256,379)	(401,750)	(386,941)	(74,145)	(81,998)	(616,244)	(268,909)	0	(792,615)
Margin %	(21.47)	(25.26)	(20.06)	(19.53)	(16.62)	(35.80)	(16.24)	(4.39)	(4.09)	(24.18)	(12.88)	0.00	(3.97)
Real Estate Lease	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA FROM CONT. OPERAT	(347,714)	(366,952)	(378,587)	(321,180)	(256,379)	(401,750)	(386,941)	(74,145)	(81,998)	(616,244)	(268,909)	0	(792,615)
Depreciation & Amortiz	31,966	32,078	31,893	31,893	31,893	31,893	31,893	31,893	31,893	31,893	31,893	0	381,893
Interest	41,351	39,183	41,445	43,788	45,685	48,612	50,747	53,081	55,323	53,572	48,909	0	521,696
Inc/Loss from Disc Ope	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non Operating Exp	73,317	71,261	73,338	75,681	77,577	80,505	74,433	68,566	70,808	69,190	64,527	0	799,203
Income before Taxes	(421,031)	(438,213)	(451,925)	(396,861)	(333,956)	(482,255)	(312,508)	(142,711)	(11,190)	(547,054)	(204,382)	0	(1,591,818)
Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	(421,031)	(438,213)	(451,925)	(396,861)	(333,956)	(482,255)	(312,508)	(142,711)	(11,190)	(547,054)	(204,382)	0	(1,591,818)
Acc Prefd Dividends/Accr	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income Attributable	(421,031)	(438,213)	(451,925)	(396,861)	(333,956)	(482,255)	(312,508)	(142,711)	(11,190)	(547,054)	(204,382)	0	(1,591,818)
Common Shareholders	(421,031)	(438,213)	(451,925)	(396,861)	(333,956)	(482,255)	(312,508)	(142,711)	(11,190)	(547,054)	(204,382)	0	(1,591,818)
STATISTICS & OTHER DATA													
Admissions	178	146	181	162	154	164	164	155	149	152	147	0	1752
Adjusted Admissions	449	372	533	449	429	438	477	499	408	404	364	0	4787
Net Rev / AA	3607	3904	3541	3972	3595	2562	4966	3385	4909	6308	5735	0	4174
Patient Days	485	420	443	475	410	472	426	434	4502	464	492	0	5024
Adjusted Patient Days	1294	1071	1305	1218	1143	1262	1239	1397	1276	1235	1221	0	13681
ADC	15.6	15.0	14.3	15.9	13.2	15.7	11.7	14.0	16.7	12.0	16.4	0	15.0
Net Rev / APD	1333	1356	1446	1350	1349	1289	1293	1209	1456	2064	1710	0	1459
ALOS	2.72	2.86	2.45	2.94	2.66	2.88	2.60	2.80	3.37	3.05	3.35	0.00	2.87
O/P Regs Incl All Visits	2404	2653	3154	2959	2839	2894	2894	2732	2889	2681	2681	0	30898
EN Visits	1145	1043	1367	1275	1292	1392	1310	1352	1308	1250	1182	0	13820
I/P Surgeries	18	25	6	17	14	17	5	13	15	18	69	0	155
Clinic/RHC/Home Health V	77	78	86	96	80	68	77	86	65	54	69	0	836
Total Paid & Contract FTE	173	178	176	179	176	176	175	174	177	178	182	0	177
Total Paid/Contract FTE/	4.4	4.7	4.4	4.4	4.8	4.2	4.4	3.9	3.9	4.5	4.5	0	4.3
Total Paid/Contract Hrs	68	77	58	74	73	69	65	62	74	78	86	0	70
Total Paid/Contract Hrs	25	27	24	25	27	24	22	24	22	26	25	0	25
Total Wkld FTE's	141	159	156	159	159	149	147	154	158	160	164	0	155
Total Wkld Hrs / AA	56	68	52	66	66	58	54	55	66	70	77	0	62

STARRYS MEDICAL CENTER OF SCOTTCOUNTY  
 BALANCE SHEET (B88)  
 AT  
 NOVEMBER 30, 2010  
 DATE: 12/10/10  
 TIME: 10:54:42

## ASSETS

THIS MONTH LAST MONTH INCR/(DECR)

Current Assets:			
Cash and cash equivalents	\$ 2,827,239	\$ 2,701,538	\$ 125,701
Accounts receivable	3,518,987	3,232,430	286,557
Less: Allowance for bad debts	(457,575)	(418,132)	(39,443)
Net Accounts Receivable	3,061,412	2,814,298	247,114
Cost Report Settlement	(773,438)	440,032	(1,213,470)
Supplies	538,659	541,729	(3,070)
Deferred income taxes	00	00	00
Prepaid expenses	16,567	22,789	(6,222)
Other current assets	126,156	146,095	(19,939)
Current assets from Disc. Ops	00	00	00
Total Current Assets	5,896,595	6,766,481	(869,886)

Property & Equipment:			
Land and improvements	2,080	2,080	00
Buildings and improvements	12,850	12,850	00
Equipment and fixtures	3,240,949	3,240,949	00
Leasehold improvements	00	00	00
Construction in progress	00	00	00
Less accumulated depreciation	3,255,879	3,255,879	00
	(2,582,982)	(2,567,364)	(15,618)
Net Property and Equipment	672,897	688,515	(15,618)

Prepaid rent	00	00	00
Investment in subs	00	00	00
Goodwill	1,411,557	1,411,557	00
Unallocated purchase price	00	00	00
Loan costs	00	00	00
Other assets	36,667	38,334	(1,667)
	\$ 8,017,716	\$ 8,904,887	\$ (887,171)

## LIABILITIES &amp; EQUITY

Current Liabilities:			
Current maturities of LTD	00	00	00
Accounts payable	385,580	419,662	(34,082)
Accrued salaries & benefits	727,381	670,602	56,779
Accrued interest	00	00	00
Other accrued expenses	25,060	26,846	(1,786)
Income taxes	00	00	00
Liabilities held for sale	00	00	00
Total Current Liabilities	1,138,021	1,117,110	20,911

STARRYS MEDICAL CENTER OF SCOTT COUNTY  
 BALANCE SHEET (B88)  
 AT  
 NOVEMBER 30, 2010

DATE: 12/10/10  
 TIME: 10:54:42

	THIS MONTH	LAST MONTH	INCR/ (DECR)
	\$	\$	\$
Long-term debt	00	00	00
Deferred income taxes	00	00	00
Other liabilities	20,314	20,314	00
Intercompany	14,356,006	15,468,473	(1,112,467)
Minority interest	00	00	00
Redeemable preferred stock	00	00	00
Accrued preferred dividends	00	00	00
Redeemable common stock	00	00	00
Additional paid-in capital	00	00	00
Stockholders' Equity:			
Common stock	00	00	00
Additional paid-in capital	00	00	00
Acc. earnings-prior year	(8,904,590)	(8,904,590)	00
Acc. earnings-current year	(1,591,808)	(1,796,193)	204,385
Other	2,999,773	2,999,773	00
	(7,496,625)	(7,701,010)	204,385
Total Stockholders' Equity	\$ 8,017,716	\$ 8,904,887	\$ (887,171)

SCOTT COUNTY HMA LLC  
 CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
 FOR 12TH MONTH ENDED  
 DECEMBER 31, 2011

DATE: 1/20/12  
 TIME: 7:43:13

ACTUAL	MONTH BUDGET	PR. YR.	ACTUAL	YEAR-TO-DATE BUDGET	PR. YR.
703,646	588,687	00	1,895,697	1,869,213	00
1,377,754	1,251,209	00	3,860,469	3,954,909	00
3,409,791	3,498,688	00	10,502,069	10,182,216	00
5,491,191	5,338,584	00	16,258,235	16,006,338	00
1,597,727	1,091,565	00	4,474,965	3,455,320	00
2,605,496	2,575,309	00	7,939,851	7,434,939	00
00	00	00	00	00	00
4,203,223	3,666,874	00	12,414,816	10,950,319	00
1,287,968	1,671,710	00	3,843,419	5,056,019	00
9,627	3,570	00	24,098	11,274	00
1,297,595	1,675,280	00	3,867,517	5,067,293	00
625,550	579,414	00	1,871,186	1,769,764	00
134,281	220,317	00	427,427	662,597	00
5,040	4,100	00	10,554	12,300	00
60,729	379,584	00	248,314	1,138,752	00
213,640	162,086	00	501,649	490,277	00
114,434	331,981	00	1,127,239	996,288	00
44,424	87,017	00	130,708	261,601	00
1,786	1,786	00	5,357	5,358	00
178,816	179,470	00	531,191	539,647	00
86,842	65,192	00	265,214	196,178	00
1,465,542	2,010,947	00	5,118,839	6,072,762	00
(167,947)	(335,667)	00	(1,251,322)	(1,005,469)	00
(12,94)	(20,04)	00	(32,35)	(19,84)	00
136,250	00	00	408,750	00	00
(304,197)	(335,667)	00	(1,660,072)	(1,005,469)	00
(11,975)	18,334	00	33,382	55,002	00
00	46,167	00	00	138,501	00
00	00	00	00	00	00
00	00	00	00	00	00
(11,975)	64,501	00	33,382	193,503	00
(292,222)	(400,168)	00	(1,693,454)	(1,198,972)	00
00	00	00	00	00	00
(292,222)	(400,168)	00	(1,693,454)	(1,198,972)	00
00	00	00	00	00	00
(292,222)	(400,168)	00	(1,693,454)	(1,198,972)	00
169	147	00	(1,693,454)	(1,198,972)	00
445	427	00	479	467	00
2,916	3,923	00	1,356	1,284	00
430	407	00	2,852	3,946	00
1,134	1,181	00	1,249	1,293	00
13.9	13.1	00	3,531	3,553	00
1,144	1,419	00	13.6	14.1	00
2,54	2,77	00	1,095	1,426	00
2,496	2,988	00	2,61	2,77	00
1,291	1,228	00	7,594	8,693	00
3	12	00	3,774	3,573	00
58	78	00	19	41	00
175	171	00	179	227	00
4.8	4.5	00	157	176	00
70	71	00	4.1	4.6	00
27	26	00	61	72	00
149	156	00	23	26	00
59	65	00	140	160	00
			54	66	00

STATISTICS & OTHER DATA  
 Admissions 479  
 Adjusted Admissions 1,356  
 Net Rev / AA 2,852  
 Patient Days 1,249  
 Adjusted Patient Days 3,531  
 ADC 13.6  
 Net Rev / APD 1,095  
 ALQS 2,61  
 O/P Regs Incl All Visits 7,594  
 ER Visits 3,774  
 I/P Surgeries 19  
 Clinic/RHC/Home Health Visits 179  
 Total Paid & Contract FTEs 157  
 Total Paid/Contract FTE/AA 4.1  
 Total Paid/Contract FTE/AA 61  
 Total Paid/Contract Hrs / AA 23  
 Total Wkd Fte's / APD 140  
 Total Wkd Hrs / AA 54

S C O T T C O U N T H M A L L C  
 CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
 FOR THE PERIOD ENDING DECEMBER 31, 2011

DATE: 1/20/12  
 TIME: 7:43:33

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Patient Revenue:													
Inpatient Routine	0	0	0	0	0	0	0	0	0	561,565	630,486	703,646	1,895,697
Inpatient Ancillary	0	0	0	0	0	0	0	0	0	1,217,187	1,265,529	1,377,754	3,860,470
Outpatient	0	0	0	0	0	0	0	0	0	3,624,479	3,467,800	3,409,791	10,502,070
Total Patient Revenue	0	0	0	0	0	0	0	0	0	5,403,231	5,363,815	5,491,191	16,258,237
Deductions From Revenue:													
I/P Contractuals	0	0	0	0	0	0	0	0	0	1,441,856	1,435,382	1,597,727	4,474,965
O/P Contractuals	0	0	0	0	0	0	0	0	0	2,705,185	2,629,171	2,605,496	7,939,852
Prior Year Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Deductions From Re	0	0	0	0	0	0	0	0	0	4,147,041	4,064,553	4,203,223	12,414,817
Net Patient Revenue	0	0	0	0	0	0	0	0	0	1,256,190	1,299,262	1,287,968	3,843,420
Other Revenue	0	0	0	0	0	0	0	0	0	6,734	7,737	9,627	24,098
Net Revenue	0	0	0	0	0	0	0	0	0	1,262,924	1,306,999	1,297,595	3,867,518
Operating Expenses:													
Salaries & Wages	0	0	0	0	0	0	0	0	0	678,978	566,658	625,550	1,871,186
Benefits	0	0	0	0	0	0	0	0	0	146,858	146,288	134,281	427,427
Contract Labor	0	0	0	0	0	0	0	0	0	1,938	3,576	5,040	10,554
Provision for Bad Debt	0	0	0	0	0	0	0	0	0	134,823	52,762	60,729	248,314
Supplies	0	0	0	0	0	0	0	0	0	207,330	80,680	213,640	501,650
Purchased Services	0	0	0	0	0	0	0	0	0	376,284	636,521	114,434	1,127,239
Repairs & Maintenance	0	0	0	0	0	0	0	0	0	39,717	46,567	44,424	130,708
Physician Recruiting	0	0	0	0	0	0	0	0	0	1,786	1,786	1,786	5,358
Leases & Rentals	0	0	0	0	0	0	0	0	0	169,177	183,197	178,816	531,190
Other Operating Expens	0	0	0	0	0	0	0	0	0	112,710	65,662	86,842	265,214
Total Operating Expenses	0	0	0	0	0	0	0	0	0	1,869,601	1,783,697	1,465,542	5,118,840
EBITDA before RE Lease	0	0	0	0	0	0	0	0	0	(606,677)	(476,698)	(167,947)	(1,251,322)
Margin %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(48.04)	(36.47)	(12.94)	(32.35)
Real Estate Lease	0	0	0	0	0	0	0	0	0	272,500	0	136,250	408,750
EBITDA FROM CONT. OPERAT	0	0	0	0	0	0	0	0	0	(878,177)	(476,698)	(304,197)	(1,660,072)
Depreciation & Amortiz	0	0	0	0	0	0	0	0	0	30,238	15,119	(11,975)	33,382
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc/Loss from Disc Ope	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non Operating Exp	0	0	0	0	0	0	0	0	0	30,238	15,119	(11,975)	33,382
Income before Taxes	0	0	0	0	0	0	0	0	0	(909,415)	(491,817)	(292,222)	(1,693,454)
Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0	0	0	(909,415)	(491,817)	(292,222)	(1,693,454)
Acc Prefd Dividends/Accr	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income Attributable	0	0	0	0	0	0	0	0	0	(909,415)	(491,817)	(292,222)	(1,693,454)
Common Shareholders	0	0	0	0	0	0	0	0	0	(909,415)	(491,817)	(292,222)	(1,693,454)
STATISTICS & OTHER DATA													
Admissions										164	146	169	479
Adjusted Admissions										498	413	445	1356
Net Rev / AA										2536	3165	2916	8652
Patient Days										390	429	430	1249
Adjusted Patient Days										1184	1213	1134	3531
ADC										12.6	14.3	13.9	13.6
Net Rev / APD										1067	1077	1144	1095
ALOS Regs Incl All Visits										2.94	2.94	2.54	2.61
EB Visits										2488	2496	2496	7594
I/P Surgeries										1277	1206	1291	3774
O/P Surgeries										8	8	3	19
Clinic/Rx/Home Health V										65	56	58	179
Total Paid & Contract FTE										125	170	175	157
Total Paid/Contract FTE/										3.3	4.2	4.8	4.1
Total Paid/Contract Hrs										15	71	70	61
Total Wkd Fte's										19	24	27	23
Total Wkd Fte's / AA										112	159	149	140
Total Wkd Hrs / AA										40	66	59	54

DECEMBER 31, 2011

DATE: 1/20/12  
TIME: 7:43:17

	THIS MONTH	LAST MONTH	INCR./ (DECR.)
Cash and cash equivalents	\$ (291,652)	\$ 81,204	\$ (372,856)
Accounts receivable	4,087,049	2,851,929	1,235,120
Less: Allowance for bad debts	(248,314)	(187,585)	(60,729)
<b>Net Accounts Receivable</b>	<b>3,838,735</b>	<b>2,664,344</b>	<b>1,174,391</b>
Cost Report Settlement	(851,451)	(579,945)	(271,506)
Supplies	536,046	553,781	(17,735)
Deferred income taxes	00	00	00
Prepaid expenses	7,699	10,128	(2,429)
Other current assets	1,151,152	1,192,934	(41,782)
Current assets from Disc. Ops	00	00	00
<b>Total Current Assets</b>	<b>4,390,529</b>	<b>3,922,446</b>	<b>468,083</b>
Land and improvements	00	00	00
Buildings and improvements	00	00	00
Equipment and fixtures	1,324,374	1,368,840	(44,466)
Leasehold improvements	00	00	00
Construction in progress	00	00	00
<b>Less accumulated depreciation</b>	<b>1,324,374</b>	<b>1,368,840</b>	<b>(44,466)</b>
	<b>(442,132)</b>	<b>(166,488)</b>	<b>(275,644)</b>
<b>Net Property and Equipment</b>	<b>882,242</b>	<b>1,202,352</b>	<b>(320,110)</b>
Prepaid rent	00	00	00
Investment in subs	00	00	00
Goodwill	00	00	00
Unallocated purchase price	00	00	00
Loan costs	00	00	00
Other assets	(5,357)	(3,571)	(1,786)
<b>Current maturities of LTD</b>	<b>\$ 5,267,414</b>	<b>\$ 5,121,227</b>	<b>\$ 146,187</b>
Accounts payable	00	00	00
Accrued salaries & benefits	307,641	348,440	(40,799)
Accrued interest	474,056	366,736	107,320
Other accrued expenses	00	00	00
Income taxes	180,342	175,327	5,015
Liabilities held for sale	00	00	00
<b>Total Current Liabilities</b>	<b>962,039</b>	<b>890,503</b>	<b>71,536</b>
Long-term debt	00	00	00
Deferred income taxes	00	00	00
Other liabilities	00	00	00
Intercompany	5,998,829	5,631,958	366,871
Minority interest	00	00	00
Redeemable preferred stock	00	00	00
Accrued preferred dividends	00	00	00
Redeemable common stock	00	00	00
Additional paid-in capital	00	00	00
Common stock	00	00	00

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DATE: 1/20/12  
TIME: 7:43:17SCOTT COUNTY HMA LLC  
BALANCE SHEET (B88)AT  
DECEMBER 31, 2011

	THIS MONTH	LAST MONTH	INCR/(DECR)
Additional paid-in capital	\$ 00	00	\$ 00
Acc. earnings-prior year	00	00	00
Acc. earnings-current year	(1,693,454)	(1,401,234)	(292,220)
Other	00	00	00
Total Stockholders' Equity	(1,693,454)	(1,401,234)	(292,220)
	\$ 5,267,414	\$ 5,121,227	\$ 146,187



# **SUPPLEMENTAL**

## **#1**

**1. Filing Fee**

The filing fee was overpaid \$11.25. HSDA will reimburse the applicant for the overpayment under separate cover.

**2. Applicant Profile, Item 2 and Item 4**

Please provide a fax number.

Please check the box that corresponds to Limited Liability Company.

Please revise the above two requests and resubmit page 1.

Please discuss the proposed organizational and business relationships among these entities in such a manner that their affiliation with the project can be understood. An organization chart will be helpful.

Please provide a list of critical access hospitals the applicant's parent company owns. Has any discontinued OB services been discontinued at any hospital owned by the parent company? How many of the critical access hospitals owned by the parent company now offers OB services? Has OB services been discontinued in the past by the applicant's parent company but was later at added as financial conditions improved?

*Pioneer Health Services of Scott, LLC doing business as Pioneer Community Hospital of Scott is a wholly-owned for-profit subsidiary of Pioneer Health Services, Inc, a Sub Chapter S Corporation 100-percent owned by Joseph S. McNulty, III. Pioneer Health Services will operate Pioneer Community Hospital of Scott through corporate and facility-based staff.*

*Please see attached Corporate Structure.*

*Pioneer Health Services, Inc.(PHS), parent company owns the following critical access facilities:*

*Pioneer Community Hospital of Scott (Oneida, TN)  
Pioneer Community Hospital of Stokes (Danbury, NC)  
Pioneer Community Hospital of Patrick (Stuart, VA)  
Pioneer Community Hospital of Choctaw (Ackerman, MS)  
Pioneer Community Hospital of Newton (Newton, MS)  
Pioneer Community Hospital of Aberdeen (Aberdeen, MS)  
Pioneer Community Hospital of Early (Blakely, GA)*

*None of the facilities currently owned and operated by PHS provides obstetrical services, and none have ever discontinued obstetrical services previously provided. No obstetrical services have been discontinued by PHS and then later reopened.*

*Please see attached organizational chart.*

**3. Applicant Profile, Item 5**

Please clarify what type of management services will be offered by Pioneer Health Services, Inc. Will the applicant be self-managed or contract with an affiliated Pioneer owned affiliate?

Please provide a brief description of the management/operating entity's expertise to operate this facility/service. Brief bio's outlining areas of expertise and experience of the senior management will be helpful.

*Pioneer Health Services, Inc. will operate Pioneer Community Hospital of Scott, providing operational support services within the facility. Significant support in accounting, payroll, purchasing, patient financial services, and cost-reporting, will be provided by the corporate office.*

*Pioneer Health Services has operated small, rural hospitals since 1989. PHS is responsible for the first and second conversions to critical access hospital (CAH) designation in Mississippi. To date, Pioneer owns and operates seven CAHs (with affiliated 24 rural health clinics), operates one critical access, 501©(3) non-profit facility, and manages two other critical access hospitals. Pioneer also provides management and service-line consultation for non-affiliated critical access hospitals. Pioneer specializes in the health needs of rural communities and has experience re-opening and resuscitating Critical Access Hospitals in Medically Underserved Areas.*

*Please see attached Corporate Leadership Biographies.*

**4. Applicant Profile, Item 9**

Please total the bed complement chart for all columns and resubmit.

*Please see the attached and corrected bed complement chart.*

**5. Applicant Profile, Item 13**

Please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

*Pioneer Community Hospital of Scott has contracted or is in process of contracting with the following MCOs/BHOs:*

*TennCare Select  
UnitedHealthcare Community Plan  
BlueCare*

**6. Project Description, Item 1**

Please clarify the statement "as such financial feasibility of the project in the short term is and the applicant does not believe that the successful operation of the facility will be risked by discontinuing obstetric services".

Does the applicant intend to provide OB services in the future? If so, what factors are included in that decision?

When the hospital opens will the emergency room be operational? If not when does the applicant expect it to open?

Is the hospital currently totally closed? If not, what services are currently available?

*The statement in question should have read, "As such, financial feasibility of the project in the short term is secure, and the applicant does not believe that the successful operation of the facility will be risked by discontinuing obstetric services." To clarify further, because the project is low cost, the discontinuance of obstetrics services presents no risk to the overall financial stability of Pioneer Community Hospital of Scott.*

*The hospital is currently totally closed. Upon opening, primary care clinic services, ancillary services and emergency services will be provided. The applicant is currently evaluating and will continue to evaluate the financial feasibility of providing obstetrical services. Facility and corporate leadership will consider the enterprise value of providing this service.*

**7. Section B, Project Description, Item II.B.**

Describe the reasons for change in bed allocations and describe the impact the bed change will have on existing services.

*Critical Access Hospitals (the designation under which the applicant intends to operate) are limited to 25 acute care beds. The current 5 obstetrical beds were operated as part of the previous management's total bed complement. In discontinuing obstetrical services, the applicant requests maintaining all beds on the facility license, but re-designating them to acute care services.*

**8. Section B, Project Description, Item III.A. (Plot Plan)**

Please submit the plot plan which outlines the location of the obstetrical department within the outline of the hospital on the plot plan.

*Please see the attached plot plan identifying the exact location of the obstetrical rooms in the applicant facility.*

**9. Section C, Need Item 1**

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan."

**Healthy Lives**

*The 2012 Tennessee State Health Plan lists the top ten leading causes of death among Tennesseans in recent years. For eight of these ten (Cardiovascular Disease, Stroke and Cerebrovascular Disease, Diabetes, Pneumonia and Influenza, Kidney Disease, Cancer, Chronic Lower Respiratory Disease, Heart Disease, and Accident and Adverse Events), acute care services are required to treat and manage complications. No hospital currently operates in Scott County. Discontinuing obstetric services will contribute to the greater operational stability of the applicant as the doors of a currently closed facility are carefully reopened to provide much-needed primary and acute care services.*

#### Access to Care

*Currently, no hospital provides general acute care services within Scott County. Pioneer Community Hospital of Scott is working diligently to reopen the doors of the recently closed facility to provide basic acute and emergency services to area residents according to a carefully staged plan. Obstetric services require intensive resources not currently feasible to expend until overall facility volumes and utilization make cost-spreading possible. In summary, discontinuing obstetric services contributes to the more immediate, short-term provision of accessibility of care in Scott County.*

#### Economic Efficiencies

*Previous operators maintained staffing for OB services at levels that would be grossly inefficient for Pioneer Community Hospital of Scott to maintain in its current, limited functionality. Historically, 67% percent of Scott County births at the applicant facility were payable through TennCare and self-pay sources limiting the unit's ability to pay for itself in the short to near term. Operating OB services under such financial constraints does not make efficient use of facility revenues and other resources that might be used for care of the wider Scott County community.*

#### Quality of Care

*Discontinuance of obstetric services will free up resources otherwise used for birth and delivery to provide higher quality of care to patients in other departments of the facility, such as emergency services, that have to date not been available in the county.*

#### Healthcare Workforce

*Operating OB services would require more intensive staffing resources than would be prudent in consideration of the larger scope of re-opening the applicant facility. Maintaining the level of FTEs available for labor and delivery as was maintained under former operation would be inefficient for the low volume of births anticipated in the time required to establish of a patient base. Further, ceasing to provide OB services frees workforce resources that may be put to use towards opening and maintaining basic acute care services in a community where none currently are offered. The applicant feels that by ceasing to provide this service, greater stability will be afforded to facility operations and staff who will be available to provide patients with greater quality of general acute care.*

### **10. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) A. Need 1.**

Please identify all existing providers of obstetrical services in the service area.

Has the applicant notified and gained support of community leadership, other area obstetric providers, emergency conveyance services, and the general public?

*Jellico Community Hospital in Campbell County and Methodist Medical Center (Oak Ridge) in Anderson County provide obstetrical services in the secondary service area of the applicant facility.*

*Both facilities have been notified in conversation with hospital leadership of the applicant's intentions to discontinue obstetrical services. The general public has been informed through legal notices in local print media and public meetings between the applicant and County leadership. County leadership has been explained the intended phased re-opening of the facility and has confirmed support for the plan. Area*

*physicians, Dr. John Martin and Dr. Catherine Martin of Circle of Life Obstetrics & Family Care in Oneida, TN provided OB services during previous facility operations and have been notified of the intent to discontinue obstetrical service upon re-opening the facility. Dr. Catherine Martin has agreed to serve as Chief of Staff (in non-obstetric capacity) upon the facility's re-opening. Emergency conveyance services have been notified as well.*

**11. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) A. Need 2.**

Please complete the following table providing the total eligible female population and the total number of births to female residents of the service area during the most recent year that birth data is available:

*Please see the table below for population data for years 2011-2013. Figures presented pertain to the primary service area, Scott County and secondary service areas in Anderson, Blount, Campbell, Fentress and Morgan Counties. Birth rate data provided by the state of Tennessee does not currently extend beyond 2011. The birth rates provided are indicated to be 2009, 2010, and 2011.*

Year	Female Population (age 15-44)	Births to female residents Ages 15-44
2 <sup>nd</sup> Previous Year	58,287	3,224 (2009)
Previous Year	59,056	3,067 (2010)
Current Year	58,398	3,141 (2011)
% Change	1.3%	-2.5%

**12. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) A. Need 3.**

Please re-verify the number of deliveries (24) at Scott County Hospital for 2009-2011. If needed, please submit a replacement page. If 24 is the correct number, why did deliveries drop from 126 in 2010 to 24 in 2011?

*This data was incorrectly reported. Please see the corrected page attached listing 133 births as the total number of births for 2011.*

**13. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) A. Need 4.**

Please respond to this question using more up-to-date data. If possible, please use 2009-2012 data.

*Based on facility utilization data for the last three years of operation (2009-2011) we estimate 139 patients will be affected by discontinuation of obstetric services. As reported in the initial CON application, resident Hospital Discharge Data from 2005 Guidelines for Growth, reports 66.7% of delivering mothers from Scott County were covered by TennCare as the primary payer. No facility-based historical data offering service-line utilization by payer is available. Applying the 2005 rate of TennCare coverage as primary payer for delivering mothers to the estimated affected population, ( $X=139*66.7\%$ ), 93 delivering mothers are projected to be affected by this proposal.*

**14. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) B. Need 1.**

The table reflecting travel distances to alternate providers of obstetric services is noted. Please provide a source document.

*GoogleMaps at [www.google.com](http://www.google.com) was used to calculate travel distances from the applicant facility to alternate providers.*

**15. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) B. Need 2.**

For TennCare patients, please indicate the mode of transportation which will be used should OB services be discontinued.

*TennCare patients must rely on personal vehicles for transportation to alternate providers or may seek transport from ETHRA for a nominal fee.*

**16. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) B. Need 3.**

Please define the term "all-cause admissions".

*"All-cause admissions" refers to the aggregate of all medical conditions for which patients may be admitted to the applicant facility.*

**17. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) B. Need 4.**

The chart titled "median Charge (\$) by facility per Service" is noted. Please clarify if the figures provided are "mean" numbers or "median" numbers. Also, please cite the source for the table.

The charges presented in the table are indeed "median" charges found in the 2011 Tennessee Hospital Discharge Data Report by facility by service.

**18. Section C, Need, Item 1a. (Service Specific Criteria-Discontinuance of OB Services) B. Accessibility 5.**

The application mentions the TennCare/Medicaid OB utilization at the applicant facility is estimated to have been 17% in 2011. Please provide a letter from each alternate OB delivery site in the applicant's service area and their intention and capacity to absorb services to TennCare enrollees affected by the applicant facility's discontinuation of OB services.

*Please see attached letters from Eric Wangness, Administrator of Jellico Community Hospital and Mike Belbeck, President and Chief Administrative Officer of Methodist Medical Center (Oak Ridge).*

**19. Section C, Need, Item 4.A.**

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

<i>Variable</i>	<i>Scott</i>	<i>Anderson</i>	<i>Blount</i>	<i>Campbell</i>	<i>Fentress</i>	<i>Morgan</i>	<i>Service Area</i>	<i>TN</i>
<b>2013 Age 65+</b>	3,388	13,335	28,703	10,624	3,262	3,190	62,502	904,587
<b>2017 Age 65+</b>	3,862	14,509	31,838	11,440	3,677	3,532	68,858	1,015,339
<b>Age 65+, % Change</b>	12.2%	8%	9.8%	24%	26.9%	19.7%	9%	11%
<b>Age 65+, % Total 2017</b>	15.9%	19.3%	24%	26.9%	19.7%	16.5%	22%	15.3%
<b>2013, Total Pop.</b>	23,465	74,517	127,400	42,036	18,265	21,014	306,697	6414297
<b>2017, Total Pop.</b>	24,272	75,167	132,222	42,600	18,662	21,467	314,390	6,623,114
<b>Total Pop. % Change</b>	3.3%	0.86%	3.6%	1.3%	2.1%	2.1%	2%	3.1%
<b>TennCare Enrollees</b>	7,065	13,812	18,599	11,702	5,401	4,184	60,763	1,192,483
<b>TennCare Enrollees as a % of Total Pop.</b>	30.0%	18.5%	14.6%	27.8%	29.5%	19.5%	20%	18.6%
<b>Median Age</b>	38.1	42.6	41.4	41.7	42.3	39.8	41.5	38
<b>Median Household Income</b>	\$29,454	\$44,872	\$47,298	\$31,337	\$29,245	\$37,130	\$36,556	\$43,989
<b>Pop. % Below Poverty Level</b>	26.0%	16.8%	12.3%	23.1%	25.2%	20.7%	24.20%	16.1%



**20. Section C, Need, Item 4.B.**

Please indicate if the primary and secondary service areas are designated as medically underserved areas.

County	MUA Designation
Scott County (Primary)	Yes
Anderson (Secondary)	Yes
Blount (Secondary)	Yes
Campbell (Secondary)	Yes
Fentress (Secondary)	Yes
Morgan (Secondary)	Yes

Source: Health Resources and Services Administration, Find Shortage Areas,  
<http://hpsafind.hrsa.gov/HPSASearch.aspx>

**21. Section C, (Economic Feasibility) Item 2**

Please provide appropriate documentation (letter) of funding for the proposed project from the Chief Financial Officer.

*Please see attached letter from Pioneer Health Services' Chief Financial Officer.*

**22. Section C, (Economic Feasibility) Item 4 (Projected Data Chart)**

Please provide an additional Projected Data Chart for the entire facility for the next two years as if the discontinuance of the Obstetrical Services Program were not approved by the Agency.

There are errors in the historical and projected data charts. Please correct and submit a replacement page.

The historical and projected data charts have been revised to include management fees. Please complete the revised historical and projected data charts at the end of this supplemental request.

*Please see attached updated and amended historical and projected operating financial data.*

**23. Section C, Economic Feasibility, Item 10.**

Since the proposed project will be funded by the hospital's parent company, please provide a copy of the parent company's audited financial statements for the most

recently completed period for which the balance sheet and income statements are available.

*Please see attached audited financial statement for Pioneer Health Services.*

**24. Section C, Need, (Economic Feasibility) Item 9**

Please provide the total hospital dollar amounts and percentages of total Gross Revenues from the Medicare and TennCare programs for the first year following the CON approval of discontinuance of the obstetrical program.

*In the first 12 month period of operation following the CON approval of discontinuance of obstetrical services, the applicant projects the following amounts of Gross Revenue by payer source based on expected payer mix of 55% Medicare and 15% Medicaid:*

<b>Payer</b>	<b>Amount</b>
Medicare	\$ \$6,036,597.05
TennCare	\$ \$1,646,344.65

**25. Section C, Orderly Development, Item 1**

Please identify all transfer agreements with applicable hospitals and timeframe for completion.

*Pioneer Community Hospital of Scott has submitted requests to the following facilities for transfer agreements:*

*University of Tennessee Memorial Hospital  
East Tennessee Children's Hospital  
Vanderbilt Burn Center  
Ridgeview Mobile Crisis Center*

**26. Section C, Orderly Development, Item 2**

Please complete the following chart for the positive and negative effects of the proposed project:

<b>Positive Effects</b>	<b>Negative effects</b>
1.) Efforts to re-open a closed acute care facility in a county with no other provider will be supported.	1.) Currently expectant patients must be served outside of their community.
2.) Expectant mothers will be referred to providers that have more stable provision of OB services.	2.) OB patients may experience some additional financial burden to seek services

**27. Section C, Orderly Development, Item 7**

Please indicate the date the applicant expects to be fully licensed.

*Pioneer Community Hospital of Scott is expected to be fully licensed by September 15, 2013.*

The applicant expects to be accredited through Det Norske Veritas (DNV). Briefly describe this organization and the accreditation that is provided.

*Det Norske Veritas or DNV Healthcare has deeming authority granted by CMS to accredit critical access hospitals. DNV's accreditation program for critical access hospitals employs the proven NIAHO® standards and a highly collaborative survey process. Surveys are conducted annually and procedures are tied to the specific CMS Conditions of Participation for critical access hospitals.*

## **28. Project Completion Schedule**

Please enter Agency projected Initial Decision Date and resubmit.

*PCH of Scott anticipates an initial decision date of November 20, 2013.*

## **29. Registration of Medical Equipment**

Please register your current medical equipment located at Pioneer Community Hospital at Scott. The medical equipment registration form is located at [http://tennessee.gov/hsda/forms/Equip\\_Reg\\_Form.pdf](http://tennessee.gov/hsda/forms/Equip_Reg_Form.pdf). Please Alecia Craighead at 615-253-2782 if you have any questions.

*The medical equipment registration form was completed and submitted via internet on September 15, 2013.*

AFFIDAVIT

SEP 27 '13 AM 10:06

STATE OF TENNESSEE

COUNTY OF ScottNAME OF FACILITY: Pioneer Community Hospital of Scott

I, Morgan Dunn, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Morgan Dunn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 13th day of Sept., 2013,  
witness my hand at office in the County of Simpson, State of Tennessee.  
Mississippi.



Teresa J. Myers  
NOTARY PUBLIC

My commission expires \_\_\_\_\_

HF-0043

Revised 7/02

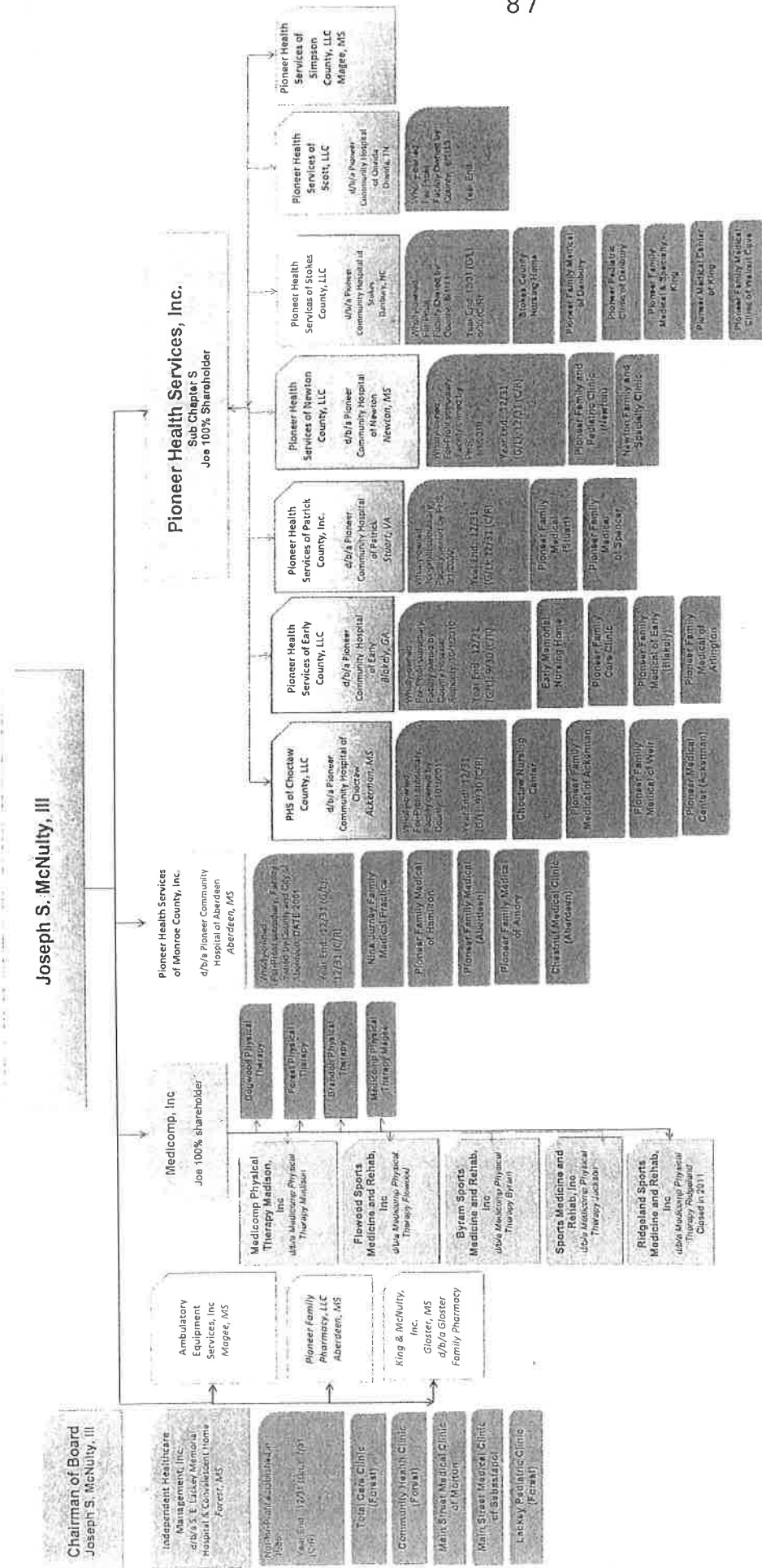
ATTACHMENTS

Attachment 2.

Organizational Chart

# PIONEER HEALTH SERVICES CORPORATE STRUCTURE

2013



Attachment 3.

Corporate Bio-sketches



**Joseph S. McNulty, III , Founder, President and Chief Executive Officer**

Joe McNulty has been a resident of Magee, Mississippi, since 1975. He holds a degree in Psychology from the University of Southern Mississippi. He began his career in health care as a respiratory therapist and started his first business, Medcomp, Inc., a physical and respiratory therapy company, in 1983. In 1989, he acquired his first healthcare facility S.E. Lackey Memorial Hospital in Forest, MS. Joe gained experience leasing and managing several additional rural hospitals and founded Pioneer Health Services in 1996. In September 2000, S.E. Lackey Memorial Hospital became the first Critical Access Hospital (CAH) –designated facility in Mississippi. One year later, Pioneer Community Hospital of Aberdeen followed as the second. Both were guided to CAH status through their partnership with Pioneer Health Services. Mr. McNulty continues to serve as Chairman of the Board for the not-for-profit Lackey Memorial Hospital. Through his leadership and vision, Pioneer Health Services has expanded its operations/management department to serve eight Critical Access Hospitals in four states. Mr. McNulty stands at the helm of the expansion of Pioneer Health Services' provision of contracted services to CAH facilities from Virginia to Hawaii.

**Julie Gieger, Chief Financial Officer**

Julie Gieger is Chief Financial Officer and is a 20-year veteran of Pioneer Health Services and affiliated corporations. Ms. Gieger is a Certified Public Accountant (CPA), and earned her BSBA in Accounting from the University of Southern Mississippi. Ms. Gieger joined the Pioneer Organization in 1987 and was promoted to Corporate Controller in 1996. In 2003 she was named Chief Financial Officer.

She is responsible for the financial operations of Pioneer and all affiliated corporations and treasury functions, including corporate finance and supervision of all staff related to reimbursement, revenue cycle, accounting and financial reporting. She is a member of the American Institute of CPAs, Mississippi Society of CPAs and HFMA. A native of Simpson County, she and her husband, Steve, have three children.

**Morgan Dunn, Vice President of Business Development**

Ms. Dunn earned a Bachelor of Arts degree in Theatre and English from the University of Mississippi in 2003. After graduation, Morgan began her healthcare career in sales for Ambulatory Equipment Services in charge of the south central Mississippi region. In 2005, she was promoted to Corporate Business Development for the Revenue Cycle Management Division of Pioneer Health Services, taking on the responsibilities of supervising and managing business office assessments prior to contracting. In 2008, Morgan became responsible for the acquisition of new healthcare facilities, revenue cycle management and behavioral health business development and contracting. Since that time, Pioneer has partnered with over 30 Critical Access Hospitals to provide operational support services. In addition to overseeing this expansion, Morgan's professional accomplishments include recognition as one of Mississippi's 50 Leading Business Women in 2008, and membership in the National Rural Health Association, Mississippi Hospital Association and Healthcare Financial Management Association.

In January of 2011, Morgan was named Vice President of Business Development, charged with directing management of corporate advertising, marketing, and business development throughout the organization, as well as playing a role in the corporation's ongoing strategic planning. She was raised and currently resides in Magee, MS with her 3 small children and husband, Chris.

#### **Steve Fontaine, Vice President of Hospital Operations**

Steve Fontaine received a Bachelor's degree in English from Clemson University in 1995 and received a Master's in Health Administration & Policy from Medical University of South Carolina in 1998. Steve worked for HCA Healthcare - Trident Medical Center, a 400-bed system in Charleston, South Carolina, from 1998-2002 as a financial analyst and later as an Associate Administrator at HCA Healthcare - Dauterive Hospital, 102-bed in New Iberia, Louisiana, from 2002-2003.

Steve was recruited by Pioneer Health Services in 2003 to be the Hospital Administrator at Pioneer Community Hospital of Aberdeen (CAH) where he provided executive oversight of all daily operations, including financial performance and medical staff relations. In 2008 he was promoted to Director of Regional Hospital Operations for Pioneer Health Services in which capacity he is responsible for the oversight and management of five hospitals. Steve is a member of the Mississippi Hospital Association – Finance Committee and previously served as the former President of the Mississippi Hospital Association – Prairie Council.

#### **Sydney Sawyer, Patient Services Officer**

Sydney Sawyer has more than 25 years of healthcare experience and is a staunch patient advocate. Sydney has worked in many facets of the medical industry, including Critical Care, Emergency Room, Surgery, and Medical Surgical areas. He received his Associate Degree in Nursing from Hinds Community College in 1994. Sydney has worked for Pioneer Health Services since its inception and before that for Medcomp, an affiliated physical and respiratory therapy company. He has served in many capacities of nursing, including as Emergency Room Director, Chief Nursing Officer and Director of Patient Services, where he managed not only nursing but all clinical ancillary departments. Sydney has become expert in the clinical aspects of Critical Access Hospitals. He was instrumental in the conversion of Lackey Memorial Hospital and Pioneer Community Hospital of Aberdeen to Critical Access Status in 1999 and 2001, the first and second critical access hospitals in Mississippi. He has served as a consultant for other Mississippi hospitals during their conversion to CAH status.

In January of 2011 he accepted the role of Patient Services Officer, in which capacity he is responsible for the Quality Management System for all patient care divisions of Pioneer Health Services. Although Sydney is aware of and appreciates all areas of hospital management, quality patient care is his priority.

## Attachment 7

Letters from alternate providers of obstetrical services.

September 27, 2013

188 Hospital Lane, Jellico, TN 37762  
phone 423-784-7252  
fax 423-784-1136  
www.jellicohospital.com



August 26, 2013

Mr. Phillip Earhart  
Health Services and Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Re: Pioneer Community Hospital of Scott Discontinuance of Obstetrical Services

Dear Mr. Earhart,

As President/CEO of Jellico Community Hospital, I affirm that Jellico Community Hospital will continue to offer obstetrical services. Our facility has the interest and capacity to absorb the additional volume and increase in TennCare/Medicaid payor mix created by the Pioneer Community Hospital's (formerly Scott County Hospital) discontinuance of obstetrics.

I am in full support of this project and request the Agency approve this Certificate of Need application.

Sincerely,

Erik D. Wangsness  
President/CEO

September 27, 2013

Covenant  
HEALTH.MY CARE. *My Methodist.*

September 5, 2013

Mr. Phillip Earhart  
Health Services and Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

**Re: Pioneer Community Hospital of Scott Discontinuance of Obstetrical Services**

Dear Mr. Earhart,

As President and Chief Administrative Officer of Methodist Medical Center of Oak Ridge ("Methodist"), I am writing in response to a recent request of Pioneer Community Hospital's leadership. I can affirm that Methodist currently offers obstetrical services to the community. Our hospital has capacity to absorb any additional volume created by the Pioneer Community Hospital's (formerly Scott County Hospital) discontinuance of obstetrics. Of course, many patients may likely choose to go to other community hospitals in the region that offer obstetrical services for their care as well.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Belbeck".

Mike Belbeck  
President and CAO

Cc: Mike Richardson, Vice President, Strategic Planning and Business Development

**Attachment 8**

Letter from Pioneer Health Services' Chief Financial Officer.

September 27, 2013

**PIONEER**  
HEALTH SERVICES

10:10 am

August 26, 2013

Health Services and Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Dear Mr. Earhart,

This letter is to certify that Pioneer Health Services has sufficient cash reserves to finance the project cost of \$5,000 (legal fees and application fee) necessary for the Discontinuance of Obstetrics Services at Pioneer Community Hospital of Scott, as described in the certificate of need application.

Sincerely,

Julie Gieger  
Chief Financial Officer  
Pioneer Health Services, Inc.

Attachment 9

Audited Financial Statement of Pioneer Health Services December 31, 2012.





## HARPER, RAINS, KNIGHT & COMPANY

*Chartered Accountants, Certified Public Accountants  
and Certified Financial Planners*

The Board of Directors  
Pioneer Health Services, Inc.  
and Subsidiaries  
Magee, Mississippi

### Independent Auditors' Report on the Supplementary Information

We have audited the consolidated financial statements of Pioneer Health Services, Inc. and Subsidiaries (the "Corporation") as of and for the year ended December 31, 2012, and have issued our report thereon, dated April 26, 2013 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Harper, Rains, Knight & Company, P.A.*

April 26, 2013

*Harper, Rains, Knight & Company, P.A. • Certified Public Accountants • Chartered Accountants  
the above are members of the Highland County Chapter of the American Institute of Certified Public Accountants  
Telephone 601-601-7722 • Fax 601-601-7722 • www.hrkpa.com*

PIONEER HEALTH SERVICES, INC AND SUBSIDIARIES  
CONSOLIDATING BALANCE SHEET  
December 31, 2012

## ASSETS

	PHS	PHS Simpson County	PHS Patrick County	PHS Newton County	PHS Early County	PHS Stokes County	PHS Cleveland County	Eliminations	Consolidated Balance Sheet
<b>Current assets</b>									
Cash and cash equivalents	\$ 113,972	\$ 267	\$ 173,840	\$ 85,772	\$ 1,540,269	\$ 104,339	\$ 192,605	\$ -	\$ 2,220,064
Short-term certificates of deposit	807,616	-	204,000	-	-	-	-	-	1,011,616
Trade accounts receivable, net	526,589	-	661,537	2,971,029	4,010,795	4,185,218	1,647,064	-	14,002,232
Accounts receivable - affiliates	4,612,398	(311,022)	175,956	174,484	1,438,558	38,566	228,183	(2,570,781)	3,786,342
Advance receivable - stockholder	167,648	-	-	-	-	-	-	-	167,648
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	78,905	181,220	216,144	112,224	134,898	-	723,391
Current portion of notes receivable - affiliates	610,613	-	-	-	-	-	-	-	610,613
Other	155,849	-	73,004	-	112,704	-	389,062	-	730,619
<b>Total current assets</b>	<b>6,994,685</b>	<b>(310,755)</b>	<b>1,367,242</b>	<b>3,412,505</b>	<b>7,327,470</b>	<b>4,440,347</b>	<b>2,591,812</b>	<b>(2,570,781)</b>	<b>23,252,525</b>
<b>Long-term assets</b>									
Property and equipment, net	9,974,610	2,179,327	2,882,109	8,675,987	4,648,471	1,598,203	1,097,496	-	31,056,203
Notes receivable - affiliates, net of current portion	1,927,880	-	-	-	-	-	-	-	1,927,880
Investment in subsidiaries	2,327,383	-	-	-	-	-	-	(2,327,383)	-
Other	56,831	-	-	-	-	-	-	-	56,831
Goodwill	-	-	-	134,783	-	-	-	-	134,783
<b>Total long-term assets</b>	<b>14,286,704</b>	<b>2,179,327</b>	<b>2,882,109</b>	<b>8,810,770</b>	<b>4,648,471</b>	<b>1,598,203</b>	<b>1,097,496</b>	<b>(2,327,383)</b>	<b>33,175,697</b>
<b>Total assets</b>	<b>\$ 21,281,389</b>	<b>\$ 1,868,572</b>	<b>\$ 4,249,351</b>	<b>\$ 12,223,275</b>	<b>\$ 11,975,941</b>	<b>\$ 6,038,550</b>	<b>\$ 3,689,308</b>	<b>\$ (4,898,164)</b>	<b>\$ 56,428,222</b>

## LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)

<b>Current liabilities</b>									
Checks written in excess of deposits	\$ 445,903	\$ -	\$ 102,564	\$ 254,186	\$ 203,364	\$ 280,201	\$ 32,513	\$ -	\$ 1,318,731
Trade accounts payable	901,769	-	468,633	1,265,599	1,044,489	659,209	708,646	-	5,048,345
Accrued expenses and other current liabilities	1,276,254	6,497	386,342	791,161	975,669	633,786	481,399	-	4,551,108
Accounts payable - affiliates	-	-	-	3,516,738	58,418	457,321	78,494	(2,570,781)	1,540,190
Deferred revenue	-	-	-	-	-	175,000	-	-	175,000
Lines of credit	-	-	411,619	654,137	857,634	608,349	901,398	-	3,413,137
Current portion of notes payable	1,605,038	141,154	411,506	683,570	1,674,245	550,661	290,053	-	5,156,227
Current portion of capital lease obligations	-	-	81,326	53,917	-	62,332	8,166	-	205,741
Estimated third-party payor settlements	-	-	326,907	-	-	-	-	-	326,907
<b>Total current liabilities</b>	<b>4,228,964</b>	<b>147,651</b>	<b>2,188,897</b>	<b>7,219,308</b>	<b>4,813,819</b>	<b>3,426,859</b>	<b>2,500,669</b>	<b>(2,570,781)</b>	<b>21,955,386</b>
<b>Long-term liabilities</b>									
Notes payable, net of current portion	7,007,271	1,925,174	2,213,497	8,180,110	2,513,427	1,290,568	725,615	-	23,855,662
Capital lease obligations, net of current portion	-	-	246,287	67,529	-	251,522	6,682	-	572,020
<b>Total long-term liabilities</b>	<b>7,007,271</b>	<b>1,925,174</b>	<b>2,459,784</b>	<b>8,247,639</b>	<b>2,513,427</b>	<b>1,542,090</b>	<b>732,297</b>	<b>-</b>	<b>24,427,682</b>
<b>Total liabilities</b>	<b>11,236,235</b>	<b>2,072,825</b>	<b>4,648,681</b>	<b>15,466,947</b>	<b>7,327,246</b>	<b>4,968,949</b>	<b>3,232,966</b>	<b>(2,570,781)</b>	<b>46,383,068</b>
<b>Stockholder's/member's equity (deficit)</b>									
Common stock/member's capital	1,000	1,000	100	1,000	-	1,000	-	(3,100)	1,000
Retained earnings	10,045,154	(205,253)	(399,430)	(3,244,672)	4,648,695	1,068,601	456,342	(2,324,283)	10,044,154
<b>Total stockholder's/member's equity (deficit)</b>	<b>10,045,154</b>	<b>(204,253)</b>	<b>(399,330)</b>	<b>(3,243,672)</b>	<b>4,648,695</b>	<b>1,069,601</b>	<b>456,342</b>	<b>(2,327,383)</b>	<b>10,045,154</b>
<b>Total liabilities and stockholder's/member's equity (deficit)</b>	<b>\$ 21,281,389</b>	<b>\$ 1,868,572</b>	<b>\$ 4,249,351</b>	<b>\$ 12,223,275</b>	<b>\$ 11,975,941</b>	<b>\$ 6,038,550</b>	<b>\$ 3,689,308</b>	<b>\$ (4,898,164)</b>	<b>\$ 56,428,222</b>

PIONEER HEALTH SERVICES, INC AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended December 31, 2012

	PHS	PHS Simpson County	PHS Patrick County	PHS Newton County	PHS Early County	PHS Stokes County	PHS Choctaw County	Eliminations	Consolidated Income Statement
<b>Revenues</b>									
Patient services revenue, net	\$ -	\$ -	\$ 11,569,708	\$ 15,340,551	\$ 23,809,728	\$ 20,610,641	\$ 11,835,474	\$ -	\$ 83,166,102
Provision for bad debts	-	-	(1,645,900)	(2,931,547)	(3,546,681)	(2,973,346)	(941,885)	-	(12,039,359)
Total net patient services revenue	-	-	9,923,808	12,409,004	20,263,047	17,637,295	10,893,589	-	71,126,743
Management and consulting fees	20,951,690	-	-	-	-	-	-	(8,283,010)	12,668,680
Other	-	257,200	-	-	-	-	-	(257,200)	-
Total revenues	20,951,690	257,200	9,923,808	12,409,004	20,263,047	17,637,295	10,893,589	(8,540,210)	83,795,423
<b>Expenses</b>									
Salaries and benefits	14,704,684	-	4,526,418	6,373,175	9,188,957	7,796,681	5,416,983	-	48,006,898
Contract labor and professional fees	2,578,748	-	2,696,591	3,474,600	3,989,631	4,380,031	2,274,313	(8,283,010)	11,110,904
Supplies and other expenses	704,546	-	1,285,029	1,718,000	1,791,815	1,946,244	898,700	-	8,344,334
Insurance	269,568	29,360	171,317	299,186	406,035	184,774	181,093	-	1,541,333
Rent	551,228	-	158,014	337,873	917,653	846,498	748,312	(257,200)	3,302,378
Utilities and maintenance	563,241	-	574,041	370,502	895,353	908,889	330,134	-	3,642,160
Tax and licenses	90,790	-	197,643	379,190	593,377	330,784	373,321	-	1,965,105
Depreciation and amortization	265,571	173,590	175,519	426,546	134,975	38,340	10,228	-	1,224,769
Travel and entertainment	1,012,053	-	68,263	71,366	91,875	87,685	64,400	-	1,395,642
Other operating expenses	126,624	404	57,800	77,301	104,563	110,306	29,518	-	506,516
Total expenses	20,867,053	203,354	9,910,635	13,527,739	18,114,234	16,630,232	10,327,002	(8,540,210)	81,040,039
Operating income (loss)	84,637	53,846	13,173	(1,118,735)	2,148,813	1,007,063	566,587	-	2,755,384
<b>Other income (expenses)</b>									
Miscellaneous income	273,130	-	87,247	279,557	733,747	384,813	27,597	-	1,786,091
Interest income	193,668	-	2,528	644	2,978	1,381	121	-	201,320
Equity in earnings of subsidiaries	2,668,408	-	-	-	-	-	-	(2,668,408)	-
Interest expense	(379,173)	(93,131)	(197,706)	(476,216)	(373,810)	(233,468)	(120,009)	-	(1,873,513)
Miscellaneous other expense	(28,326)	-	(4,477)	(6,512)	-	(17,623)	-	-	(56,938)
Total other income (expenses)	2,727,707	(93,131)	(112,408)	(202,527)	362,915	135,103	(92,291)	(2,668,408)	56,960
Net income (loss)	\$ 2,812,344	\$ (39,285)	\$ (99,235)	\$ (1,321,262)	\$ 2,511,728	\$ 1,142,166	\$ 474,296	\$ (2,668,408)	\$ 2,812,344

**SUPPLEMENTAL**  
**#2**

**1. Applicant Profile, Item 2**

Please include the entire email address, and note the extension of the contact phone number and resubmit.

*Please see that attached amended applicant profile.*

**2. Applicant Profile, Item 9**

The updated bed complement chart is noted. The OB and swing beds are classified as medical beds. Please revise and resubmit.

*Please see that attached amended bed complement for the applicant facility reflecting at total of 25 medical beds.*

**3. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) A. Need 4.**

The applicant references Hospital Discharge Data from 2005 Guidelines for Growth. Please verify this source, and if possible, provide an internet link to this document.

Please see Item 4. IX Resident Hospital Discharge Data 2005, Scott County, Tennessee on page 461 of *Tennessee's Health: Picture of the Present*, incorrectly referenced in previous supplemental submissions as Guidelines for Growth. An internet link to the document is provided below.

<http://hit.state.tn.us/CountyProfiles/Cntyimage/PicturePresent2005.pdf>

**4. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services) B. Need 2.**

The applicant states TennCare patient must rely on their personal vehicles for transportation to alternate providers. Please verify transportation is a covered benefit for TennCare enrollees.

*TennCare Medicaid does provide covered non-emergency transportation services for enrollees that may be used to seek routine obstetrical services at alternate providers.*

**5. Section C, (Economic Feasibility) Item 4 (Historical and Projected Data Charts)**

There are errors in the historical and projected data charts.

**Historical Data Chart**

- Please specify the unit of measure for the utilization data in the historical data chart.
- Please clarify why the expense for supplies were allocated under "other expenses-Specify"
- Please recalculate total operating expenses for 2009-2011.
- The amount for net operating income for the year 2011 is unclear. Please revise.
- Please correct the historical data chart and submit a replacement page.

*Please see attached amended Historical Data Chart.*

*The following Historical Data Chart is completed with data available from previous operation of the applicant facility formerly known as Scott County Hospital. In keeping with the accounting system of the previous operator, supplies are reported as part of a miscellaneous grouping of supplies, purchased services, and non-operating expenses not otherwise broken out by individual expense.*

#### Projected Data Chart

- Please specify unit of measure under the heading "utilization data"
- Please clarify why emergency services revenue is allocated to outpatient services in the Projected Data Chart
- Please revise the projected data chart and submit a replacement page.

*Please see attached amended Historical Data Chart.*

*Data item for emergency services has been broken out of the previously reported outpatient services for your review. Emergency service is commonly grouped with outpatient services in the owners accounting system.*

#### Projected Data Chart with OB Services

- Please specify unit of measure under-utilization data
- The total deductions from Gross Operating Revenue totals for 2014 and 2015 are incorrect. Please recalculate and resubmit.
- The figures of 202,930 in Year 2014 and 214,724 in Year 2015 do not match the itemized amount on page 15 for the "other expenses category".
- Please revise and resubmit the projected data chart for OB services

*Please see attached amended Projected Data Chart with OB Services.*

#### **6. Affidavit**

The date of the affidavit appears to be incorrect. Please resubmit an affidavit for the previous supplemental with the correct data.

*Please see attached affidavit for the previous supplemental data.*

ATTACHMENTS

Attachment I.

Revised Applicant Profile



AFFIDAVIT

STATE OF MISSISSIPPI

COUNTY OF SMITHNAME OF FACILITY: Pioneer Community Hospital of Scott

I, MORGAN DUNN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Morgan Dunn, Compliance Officer  
Signature/Title

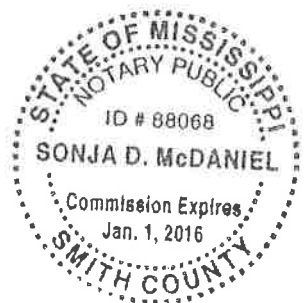
Sworn to and subscribed before me, a Notary Public, this the 27<sup>th</sup> day of September 2013,  
witness my hand at office in the County of Smith, State of Mississippi.

Sonja D. McDaniel  
NOTARY PUBLIC

My commission expires January 1, 2016.

HF-0043

Revised 7/02





CIRCLE OF LIFE  
OBSTETRICS & FAMILY CARE

2013 JUL 17 AM 9 47

189 Andrew Drive  
P.O. Box 4908  
Oneida, TN 37841  
Telephone: (423) 569-3762  
Fax: (423) 569-4909

To: Robert E. Cooper, JR  
Tennessee Attorney General  
CC: Senator Ken Yager, Kelly Keisling, Chuck Fleischmann, John Dreyzehner

From: Dr. Catherine Martin  
OB/Family Physician  
Oneida, TN of Scott County

Dear Mr. Cooper:

I am sure you are already aware of the needs of our poor county and the stress it has endured due to the closure of our hospital fourteen months ago. My concern is the reopening of the hospital without obstetric or surgical services. It has been brought to my attention today that the current framework Pioneer Health Systems plans to utilize to reopen the hospital is not acceptable. The state has designated that Scott County have obstetric services, but due to this area resulting in limited revenue, Pioneer has applied to cease this service until the hospital is more profitable. They do not plan to restart obstetric services for eighteen plus months from the time the facility converts to CAH. We are easily looking at July of 2015.

I implore you to look at this situation carefully. My fear is for the care of our county and its citizens. We have already had babies born en-route to a delivery facility. The uneasiness my obstetric patients have about "making it to the hospital" and my limited ability to care for their needs is heart wrenching to me. I hate to see patient care compromised by the bottom line of a multi-hospital, multimillion-dollar company.

I am asking for your help. I just do not know what we are going to do.

Thank you for your time and attention to this item.

Sincerely,



Catherine S. Martin, DO  
Bu



2013 AUG 9 AM 8 42

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Scott County News which is a newspaper of general circulation in Scott County, Tennessee, on or before August 7, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Pioneer Community Hospital of Scott

(Name of Applicant)

hospital

(Facility Type-Existing)

owned by: Pioneer Health Services, Inc.

with an ownership type of Sole-Proprietorship

and to be managed by: Pioneer Health Services, Inc.

intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]:

discontinuation of obstetric services affecting 5 beds. The project is estimated to cost \$5000. Pioneer Community Hospital of Scott is located at 18797 Alberta St. Oneida, TN 37841.

The anticipated date of filing the application is: August 12, 2013

The contact person for this project is Jerry Howell

(Contact Name)

Regional Hospital Operations

(Title)

who may be reached at: Pioneer Health Services

(Company Name)

PO Box 1100

(Address)

Magee

(City)

MS

(State)

39111

(Zip Code)

601/849-6440

(Area Code / Phone Number)

Jerry Howell

(Signature)

8/5/2013

(Date)

jerryhowell@phscorporate.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED**  
**REVIEWED BY THE DEPARTMENT OF HEALTH**  
**DIVISION OF POLICY, PLANNING AND ASSESSMENT**  
615-741-1954

**DATE:** November 27, 2013

**APPLICANT:** Pioneer Community Hospital Of Scott  
18797 Alberta St.  
Oneida, Tennessee 37841

**CON#:** CN1308-030

**CONTACT PERSON:** Morgan Dunn  
Pioneer Health Services, Inc.  
110 Pioneer Way  
Magee, Mississippi 39111

**COST:** \$5,000.00

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In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Pioneer Community Hospital of Scott, a 25-bed acute care facility, seeks Certificate of Need (CON) approval for the discontinuance of obstetrical services. In July 2013, Pioneer Health Services, Inc. (PHS), headquartered in Magee, Mississippi, purchased the facility formerly operated as Scott County Hospital in Scott County. Scott County Hospital had 25 beds, of which 5 were obstetrical beds. Scott County Hospital was closed in March of 2012 due to financial hardship. The applicant intends to reopen the hospital with a Critical Care Access Hospital designation.

Pioneer Health Services of Scott, LLC doing business as Pioneer Community Hospital of Scott, is a wholly-owned for-profit subsidiary of Pioneer Health Services, Inc. a Sub Chapter S Corporation 100-percent owned by Joseph S. McNulty, III. Pioneer Health services owns critical access hospitals in Danbury, North Carolina, Stuart, Virginia, Ackerman, Mississippi, Newton, Mississippi, Aberdeen, Mississippi, and Early, Georgia.

None of the facilities currently owned or operated by Pioneer Health Services, Inc. provide obstetrical services. No obstetrical services have been discontinued by PHS and later reopened.

The total project cost is \$5,000 and will be funded with cash reserves as noted by a letter from the Chief Financial Officer in Supplemental 1, Attachment 8.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan*.

**NEED:**

The applicant's primary service area is Scott County, with a secondary service area of Anderson, Blount, Campbell, Fentress, and Morgan counties. All of these service area counties are designated as Medically Underserved Areas (MUA).

The 15-44 year female population of the primary and secondary service area is provided in the following chart.

**15-44 Year, Female Population by Service Area County**

County		2013 Population	2017 Population	% Increase/ (Decrease)
Scott	Primary	4,126	4,073	-1.30%
Anderson	Secondary	13,197	13,155	-0.30%
Blount	Secondary	23,166	24,336	5.10%
Campbell	Secondary	7,487	7,762	3.70%
Fentress	Secondary	3,185	3,332	4.60%
Morgan	Secondary	3,487	3,508	0.60%
<b>Total</b>		<b>54,648</b>	<b>56,166</b>	<b>2.80%</b>

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment  
Division of Health Statistics, 2013 Population Series

The applicant is proposing to discontinue obstetric services due to the liability and cost to provide the service in a currently unstable hospital. Due to careful orchestration of service re-introduction across the facility, obstetric services will be delayed, as a stabilizing return on investment is not expected to occur for some time after the re-introduction of services. Furthermore, careful consideration was paid to the provision of obstetric services within the area by other providers to ensure that the population would be served.

The following illustrates the births at Scott County for the three previous years.

**Scott County Hospital Births 2009, 2010, 2011**

	2009	2010	2011
Scott County Hospital	155	138	133

Source: *Joint Annual Report of Hospitals 2009, 2010, 2011*, Tennessee Department of Health,  
Division of Policy, Planning, and Assessment

Existing resources in the service area include Circle of Life Clinic in Oneida (two obstetricians) and alternated acute care facilities Jellico Community Hospital in Campbell County and Methodist Medical Center in Anderson County. These facilities are 46 and 57 miles from Oneida, respectively.

The following chart illustrates the last three years births at these facilities.

**Hospital Births 2010, 2011, 2012**

	2010	2011	2012
Jellico Community Hospital	168	164	149
Methodist Medical Center	664	625	673

Source: *Joint Annual Report of Hospitals 2010, 2011, 2012 (Provisional)*, Tennessee Department of Health,  
Division of Policy, Planning, and Assessment

**NOTE TO AGENCY MEMBERS:** *The Department of Health, across multiple Divisions, provided additional information of interest at the end of this report that may be pertinent to this proposed Certificate of Need application.*

**TENNCARE/MEDICARE ACCESS:**

Pioneer will participate in both the Medicare and TennCare/Medicaid programs. The applicant has contracted or is in the process of contracting with TennCare Select, United Healthcare Community Plan and BlueCare MCOs.

In the first year of operation, Pioneer Community Hospital of Scott estimates Medicare revenues of \$6,036,597.05, or 55% of total gross revenues and TennCare revenues of \$1,646,344.65, or 15% of total gross revenues.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The Project Costs Chart is located on page 15 of the application. The total project cost is estimated to be \$5,000.

**Historical Data Chart:** The Historical Data Chart is located in Supplemental 2, page 3. The applicant reports net operating income of (\$8,562,600), (\$3,911,898), and (\$4,843,592) in years 2009, 2010, and 2011, respectively.

**Projected Data Chart:** The Projected Data Chart located is in Supplemental 2, pages 4 and 5. The applicant projects 1,663 and 3,528 patient days in years one and two with net operating revenues of \$272,291 and \$101,545, each year respectively.

The Projected Data Chart with obstetrical service projects 1,759 patient days in year 1 and 3,672 patient days in year two with a net operating income of (\$735,594) and (\$864,931) each year, respectively.

The applicant reports that the discontinuation of obstetrics is a component of a larger plan to bring a currently closed facility to full operational status. The reopening of the former Scott Count Hospital has been repeatedly delayed by financial difficulties and a change in ownership. By initially providing emergency and acute care services with supporting ancillary has been prioritized until greater financial stability and efficiency can be achieved before adding more financially challenging services. Therefore, no alternative plan was considered.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

Pioneer Community Hospital of Scott provides a listing of all organizations with which they have contracts or intend to contract with on page 21 of the application.

The positive effect of this proposal is the provision of a stable acute care presence where there has not been one for over a year. Although this proposal will not address the absence of obstetrical services in Scott County, alternate providers such as Jellico Community Hospital and Methodist Medical Center of Oak Ridge have the interest and capacity to absorb the volume of patients created by the discontinuance of obstetrical services at Pioneer. (Letters from both Jellico and Methodist are located in Supplemental 1, Attachment 7).

The applicant states they plan to provide an Emergency Department and inpatient acute care services 24 hours a day, 7 days per week in conjunction with outpatient radiology, lab services, and respiratory therapy. Pioneer Community Hospital reports they also plan to expand services to include surgery and psychiatric services within 24 months of opening.

The applicant states the facility will be converted to Critical Access Hospital status as soon as possible.

The staffing is reported to be the following: ER staff will include 2.0 FTE registered nurses per shift; radiology will be staffed with 1.0 FTE manager and 3-4.0 FTE registered and licensed radiology technicians; the lab will be staffed with 1.0 FTE lab director as well as 3-4.0 FTE technicians; respiratory therapy will be staffed 16 hours per day with the remaining 8 hours having an on-call services with a registered respiratory therapist; and registered nurses will be staffed on the floor with a ratio of 6 patients per 1 nurse. Hospitalists have not yet been obtained but are planned to be staffed 1 per shift. As of 10/18/13, no ER physicians had been obtained but the ER is planned to be staffed at a rate of 1 per shift.

#### LICENSURE

Pioneer Community Hospital of Scott is currently licensed as Scott County Hospital until the proposed CON is resolved and a licensure survey is conducted. Scott County Hospital's license has been inactive since September 12, 2012 and may be lifted upon completion of the CON process and a licensure survey.

#### SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan*.

#### DISCONTINUANCE OF OBSTETRICAL SERVICES

##### A. Need

1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.

*Scott County accounts for 75% of all services by patient origin zip code. The remaining Tennessee counties account for 5% of patients. McCreary County, Kentucky accounts for 20% of Scott County patients.*

*The following illustrates the births at Scott County for the three previous years.*

**Scott County Hospital Births 2009, 2010, 2011**

	2009	2010	2011
Scott County Hospital	155	138	133

Source: Joint Annual Report of Hospitals 2009, 2010, 2011, Tennessee Department of Health, Division of Policy, Planning, and Assessment

*Existing resources in the service area include Circle of Life Clinic in Oneida (two obstetricians) and alternated acute care facilities Jellico Community Hospital in Campbell County and Methodist Medical Center in Anderson County. These facilities are 46 and 57 miles from Oneida, respectively.*

*The following chart illustrates the last three years births at these facilities.*

**Hospital Births 2010, 2011, 2012**

	2010	2011	2012
Jellico Community Hospital	168	164	149
Methodist Medical Center	664	625	673

Source: Joint Annual Report of Hospitals 2010, 2011, 2012 (Provisional), Tennessee Department of Health,



2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

**15-44 Year, Female Population by Service Area County**

County		2013 Population	2017 Population	% Increase/ (Decrease)
Scott	Primary	4,126	4,073	-1.30%
Anderson	Secondary	13,197	13,155	-0.30%
Blount	Secondary	23,166	24,336	5.10%
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Fentress	Secondary	3,185	3,332	4.60%
Morgan	Secondary	3,487	3,508	0.60%
<b>Total</b>		<b>54,648</b>	<b>56,166</b>	<b>2.80%</b>

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment  
Division of Health Statistics, 2013 Population Series

3. The number of obstetrical patients served by the facility over the past three years should be listed.

*The following illustrates the births at Scoot County for the three previous years.*

**Scott County Hospital Births 2009, 2010, 2011**

	2009	2010	2011
Scott County Hospital	155	138	133

Source: Joint Annual Report of Hospitals 2009, 2010, 2011, Tennessee Department of Health,  
Division of Policy, Planning, and Assessment

4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.

*The applicant estimates approximately 139 patients will be affected by the discontinuation of obstetrical services. According to 2005 Hospital Discharge Data, 66.7% of delivering mothers from Scott County were covered by TennCare. Applying the 2005 rate of TennCare coverage to the current estimated affected population, the applicant estimates 93 delivering mothers will be affected by this proposal.*

**B. Accessibility**

1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.

*The alternate facilities are Jellico Community Hospital in Campbell County and Methodist Medical Center in Anderson County. These facilities are 46 and 57 miles from Oneida, respectively.*

2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.

*TennCare patients rely on their own transportation or East Tennessee Human Resource Agency Public Transit for a nominal fee.*

3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.

*The alternative facilities are Jellico Community Hospital and Methodist Medical Center. (Letters from both Jellico and Methodist are located in Supplemental 1, Attachment 7).*

4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.

*The applicant reports the charges for obstetrical services at Jellico Community Hospital and Methodist Medical Center are significant cheaper than the applicant facility.*

5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.

*Both Jellico Community Hospital and Methodist Medical Center participate in the TennCare program.*

***NOTE TO AGENCY MEMBERS: The Department of Health, across multiple Divisions, provided additional information of interest at the end of this report that may be pertinent to this proposed Certificate of Need application.***

Number of Births by Delivery Hospital for Mothers Resident in Select Counties in Calendar Year 2012									
Hospital County	Delivery Hospital	Mother's Residence County							
		ANDERSON	CAMPBELL	FENTRESS	MORGAN	PICKETT	SCOTT	Grand Total	
ANDERSON	METHODIST MED CTR OAK RIDGE	286	46	0	79	0	64	475	
	N/A	7	0	0	0	0	0	7	
CAMPBELL	JELLICO COMMUNITY HOSPITAL	0	70	0	0	0	5	75	
	LA FOLLETTE MEDICAL CENTER	0	2	0	0	0	0	2	
	ST MARYS OF CAMPBELL COUNTY	0	1	0	0	0	0	1	
CUMBERLAND	CUMBERLAND MEDICAL CENTER	0	0	84	14	0	1	99	
DAVIDSON	BAPTIST HOSPITAL	0	0	1	0	0	0	1	
	CENTENNIAL MEDICAL CENTER	0	0	1	0	0	0	1	
	METRO NASHVILLE GENERAL HOSP	1	1	1	0	0	0	3	
	VANDERBILT UNIVERSITY HOSP	1	0	1	0	2	0	4	
HAMILTON	ERLANGER MEDICAL CENTER	0	0	2	0	0	0	2	
KNOX	FT SANDERS REGIONAL MED CTR	176	58	0	29	0	21	284	
	LISA ROSS BIRTH AND WOMENS CENTER	6	1	0	1	0	0	8	
	MERCY MEDICAL CENTER ST MARYS	66	43	0	3	0	41	153	
	MERCY MEDICAL CENTER WEST	18	3	1	13	0	2	37	
	PARKWEST MEDICAL CENTER	152	18	1	27	0	10	208	
	U T MEMORIAL HOSPITAL	100	170	3	12	0	69	354	
MORGAN	N/A	0	0	0	3	0	0	3	
OVERTON	LIVINGSTON REGIONAL HOSPITAL	0	0	18	0	24	0	42	
PITT	OUT-OF-STATE HOSPITAL	1	0	0	0	0	0	1	
PULASKI	OUT-OF-STATE HOSPITAL	0	0	0	0	0	1	1	
PUTNAM	COOKEVILLE REGIONAL MEDICAL	0	0	70	3	9	0	82	
	INFINITY BIRTHING CENTER	0	0	2	0	0	0	2	
ROANE	ROANE MEDICAL CENTER	0	0	0	1	0	0	1	
SAN BERNARDINO	OUT-OF-STATE HOSPITAL	1	0	0	0	0	0	1	
SCOTT	SCOTT COUNTY HOSPITAL	0	0	0	1	0	59	60	
SEVIER	LECONTE MEDICAL CENTER	2	2	0	0	0	0	4	
SUMNER	SUMNER REGIONAL MEDICAL CENTER	0	0	0	0	0	1	1	
WHITLEY	OUT-OF-STATE HOSPITAL	0	0	0	0	0	1	1	
<b>Total Births</b>		<b>817</b>	<b>415</b>	<b>185</b>	<b>186</b>	<b>35</b>	<b>275</b>	<b>1,913</b>	

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment  
Office of Health Statistics

Note:

1. Some hospitals are located in out-of-state counties.
2. N/A = Not a hospital delivery
3. Highlighted hospital counties indicate the selected counties.

**Results:**

1. In 2012, there were 1,913 resident births in Scott County and the contiguous counties.
2. Twenty-one percent of the births from mothers residing in Scott County were at Scott County Hospital.
3. Scott County Hospital had 60 births in 2012 from the selected counties, accounting for three percent of all births.
4. Fifty-two percent of the births from Scott County residents occurred in a facility in Knox County.
5. Morgan County had three births out of 1,913 births from selected counties.
6. Campbell County facilities had 78 births out of 1,913 births from selected counties, accounting for four percent of all births.
7. In 2012, Knox County hospitals had the highest percentage of all births (55 percent) from the selected counties.
8. Methodist Medical Center of Oak Ridge in Anderson County had the highest number of hospital deliveries (475 births).

**Average Travel Distance to Hospital Zip Code from Mother's Residential Zip Code, 2012**

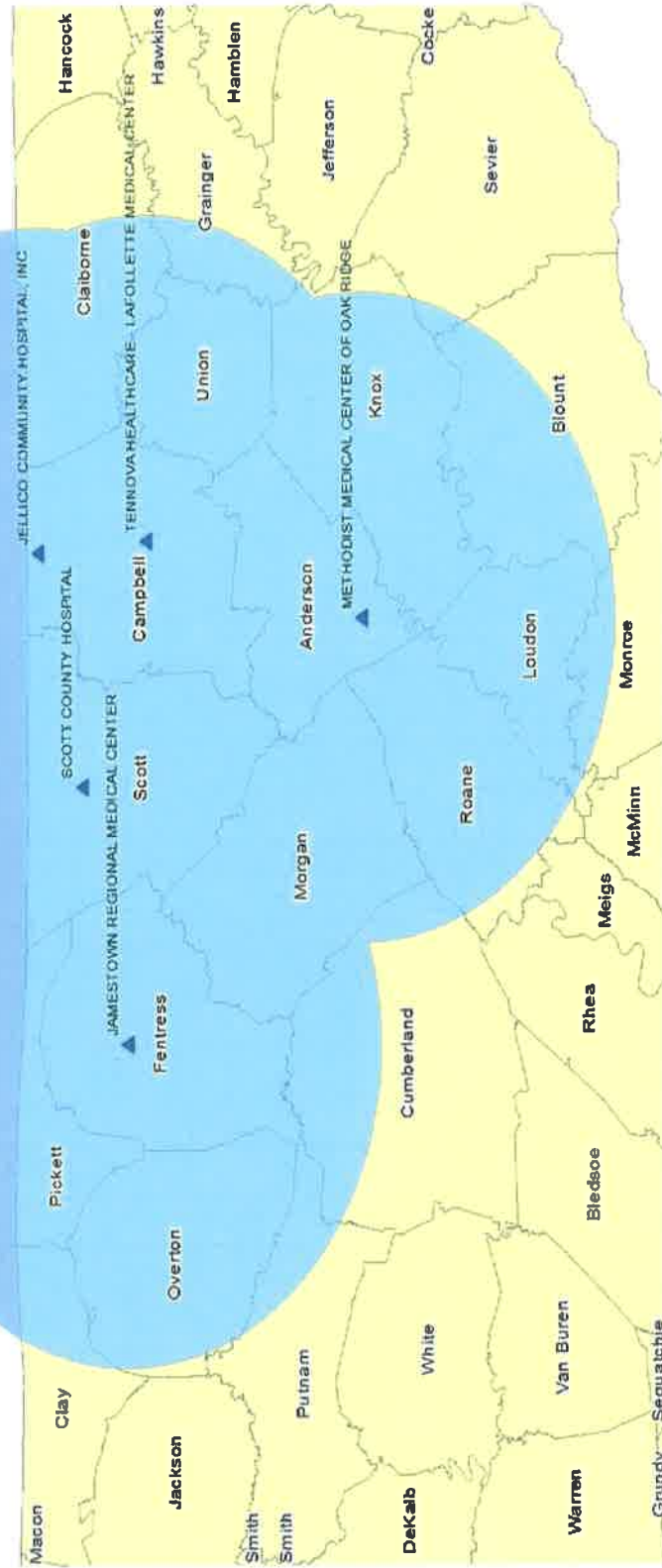
Mother's Resident County	Number of Births	Average Driving Distance to Hospital Zip Code (in miles)				
		Delivery Hospital	SCOTT COUNTY HOSPITAL	JELICO COMMUNITY HOSPITAL, INC.	TENNOVA HEALTHCARE - LAFOLLETTE MEDICAL CENTER	JAMESTOWN REGIONAL MEDICAL CENTER OF OAK RIDGE
ANDERSON	817	33.1	57.6	52.9	41.0	73.7
CAMPBELL	415	50.7	43.8	23.7	19.1	71.7
FENTRESS	185	66.5	39.7	79.8	82.0	12.8
MORGAN	186	43.9	48.5	73.8	66.8	48.0
PICKETT	35	43.1	53.1	96.0	96.1	24.6
SCOTT	275	60.9	18.0	44.3	47.0	41.9
All Counties	1,913	48.2	43.6	53.8	48.9	54.4
						55.9
						41.4

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics

**Results:**

1. In 2012, the average driving distance to a hospital for delivery for all the selected counties was greater than 30 miles.
  2. The actual driving distance for Scott County residents to the facilities identified is more than the geographical distance.
- The average driving distance is:
- Jellico Community Hospital is 44.3 miles,
  - Tennova Healthcare Lafollette Medical Center is 47 miles,
  - Jamestown Regional Medical Center is 41.9 miles
  - Methodist Medical Center of Oak Ridge is 55.9 mile

## Scott County Hospital and Surrounding Hospitals With 30-Mile Radius Buffers



Data source: Tennessee Department of Health; Division of Policy, Planning and Assessment; Surveillance, Epidemiology and Evaluation

### Results:

The map shows that Scott County is covered by the 30 miles radius buffers of each hospital identified in the selected counties.

- Anderson County: Methodist Medical Center of Oak Ridge, 79 minutes from Scott County Hospital
- Campbell County: Jellico Community Hospital, 55 minutes from Scott County Hospital
- Fentress County: Tennessee Healthcare-Lafollette Medical Center, 60 minutes from Scott County Hospital
- Jamestown Regional Medical Center, 60 minutes from Scott County Hospital

## Adequacy of Prenatal Care

- In 2012, 93.0% of live births in Scott County received adequate prenatal care based on the Kotelchuck Index.
- The percentage of births with adequate prenatal care in surrounding counties ranged from 90.9% in Fentress and Pickett Counties to 97.1% in Morgan County.
- The percentage of state-wide births with adequate prenatal care was 86.9% in 2012.

### Adequacy of Prenatal Care, Select Counties and Tennessee, 2012

Percent of Live Births w/ Adequate Prenatal Care	
Anderson County	93.5
Campbell County	94.0
Fentress County	90.9
Morgan County	97.1
Pickett County	90.9
Scott County	93.0
<b>Tennessee</b>	<b>86.9</b>

*Data source: Tennessee Department of Health; Division of Policy, Planning and Assessment; Office of Health Statistics; Birth Statistical System. Analysis restricted to births to TN resident women. Adequacy of prenatal care defined as observed to expected prenatal visits greater than or equal to 80% on the Kotelchuck Index.*

## Trimester of First Prenatal Care Visit

- In 2012, 79.2% of live births in Scott County received their first prenatal care visit in the first trimester, 17.8% in the second trimester, and 2.3% in the third trimester. Less than 1% of live births in Scott County received no prenatal care.
- The percentage of births with first trimester care in surrounding counties ranged from 57.1% in Pickett County to 74.3% in Fentress County.
- The percentage of statewide births with first trimester care was 70.1% in 2012.

### Trimester of First Prenatal Care Visit, Select Counties and Tennessee, 2012

	Percent of Live Births by Trimester of First Prenatal Care Visit			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	No Care
Anderson County	74.2	21.4	3.7	0.8
Campbell County	71.2	21.6	5.0	2.2
Fentress County	74.3	21.8	3.4	0.6
Morgan County	64.1	28.7	5.0	2.2
Pickett County	57.1	40.0	2.9	0.0
Scott County	79.2	17.8	2.3	0.8
<b>Tennessee</b>	<b>70.1</b>	<b>23.1</b>	<b>4.8</b>	<b>2.1</b>

*Data source: Tennessee Department of Health; Division of Policy, Planning and Assessment; Office of Health Statistics; Birth Statistical System. Analysis restricted to births to TN resident women. Percentages for specific counties and for TN may not sum to 100% due to rounding.*



### Live Births with Low Birth Weights

- In 2012, there were 26 live births with low birth weights in Scott County, at a percentage of 9.5.
- The percentage of Low Birth Weight Live Births for the state during 2012 was 9.2.

### Live Births with Low Birth Weight, 2012

	LBW Births	Rate
Anderson County	63	7.7
Campbell County	51	12.3
Fentress County	11	5.9
Morgan County	21	11.3
Pickett County	5	14.3
Scott County	26	9.5
<b>Tennessee</b>	<b>7359</b>	<b>9.2</b>

*Data source: Tennessee Department of Health; Division of Policy, Planning and Assessment; Office of Health Statistics; Birth and Death Statistical Systems. Analysis restricted to TN resident deaths and births to TN resident women.*

### Neonatal Mortality in Scott and Surrounding Counties

- In 2012, there were no neonatal deaths (i.e. deaths at less than 28 days of age) in Scott County.
- Among surrounding counties, there were also no neonatal deaths in Fentress, Morgan or Pickett Counties.
- The statewide neonatal mortality rate was 4.3 per 1,000 live births in 2012

### Neonatal Mortality Rate, Select Counties and Tennessee, 2012

Deaths per 1,000 Live Births (95% Confidence Interval)	
Anderson County	3.7 (0.8-10.7)
Campbell County	2.4 (0.1-13.4)
Fentress County	0.0 (0.0-20.0)
Morgan County	0.0 (0.0-19.9)
Pickett County	0.0 (0.0-105.7)
Scott County	0.0 (0.0-13.5)
<b>Tennessee</b>	<b>4.3 (3.8-4.8)</b>

*Data source: Tennessee Department of Health; Division of Policy, Planning and Assessment; Office of Health Statistics; Birth and Death Statistical Systems. Analysis restricted to TN resident deaths and births to TN resident women. Neonatal defined as less than 28 days of age. There were no neonatal deaths in Fentress, Morgan, Pickett or Scott counties in 2012.*